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After Neoliberalism
Empire, Social Democracy—or Socialism?

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Editorial

Occasionally, the issue of 'corruption' in the form of 'scam' and 'scandal' comes up in the media, and more often than not after some days it meets a natural death without follow up. On the other hand, many people from their everyday experience know that acquiring a job, a place in medical or engineering colleges, or even a telephone, gas or electricity connection, frequently entails a bribe to someone who has the capacity to arrange or to deliver the opportunities or services.

Yet to toss all these instances together as 'corruption' and ascribe its cause to 'human nature' (or 'karma') is to make a serious mistake. Patterns in human affairs do not appear and disappear like the patterns in the clouds. There are rulers, and there are ruled. There are dominant classes within the nation, and dominant nations in the world.

So let us focus for the moment on the scams of our rulers. For example, scams in cricket, defense purchases (Bofors tank, UDW submarine, Russian Tanks, Sukohi fighters), repeated scams in the shares market (from Hariprasad Munda to Harshad Mehta to Ketan Parekh), Fodder scam, Bituman scam, Tansi land deal, Sukhram case, Urea scam, Stamp paper scam and so it goes on and on. It takes years for commission or courts to give judgments, and the press and people forget. The recent murder of Satyendra Dubey, an IIT engineer, working as a Manager in NHAI, a Rs.54,000 crore project may (and should) create some ripple in educated society. He had filed complaints to the Prime Minister's office about the misappropriation in the Golden Quadrilateral Highway Project and it

(continued on inside back cover)

Cuba

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The Next Forty-Five Years?

ISTVÁN MÉSZÁROS

This year Cuba will be celebrating the forty-fifth anniversary of its victorious revolution: a great historic achievement. And when we bear in mind that the Cuban Revolution—the long sustained action of a nation of just eleven million people—survived for forty-five years against all odds, successfully confronting the declared enmity, the U.S.-dictated international political encirclement and economic blockade, as well as the ever renewed attempts to subvert and overthrow the post-revolutionary order by the world's most preponderant economic and military power, even this simple fact puts forcefully into relief the magnitude and the lasting significance of the ongoing Cuban intervention in the historical process of our time. We are all contemporaries to an achievement whose reverberations reach well beyond the confines of the tendentiously propagandized "American Hemisphere," offering its hopeful message to the rest of the world.

In 1999, three years before the U.S. government ominously decreed that Cuba belonged to the extended version of the "axis of evil," envisaging the elimination of the Cuban "vicious circle"* at an early phase of the aggressively promoted "new American Century," I wrote in the foreword to the Indian edition of *Socialism or Barbarism*:

We are about to leave the twentieth century, described by capital's most vocal apologists as "the American century". Such views are

* In a May 1, 2003, speech President Fidel Castro cited Florida Congressman Lincoln Diaz-Balart, "an intimate friend and advisor of President Bush, has made this enigmatic statement to a Miami TV station: 'I cannot go into details, but we are trying to break this vicious circle.' What methods are they considering to deal with this vicious circle? Physically eliminating me with the sophisticated modern means they have developed, as Mr Bush promised them in Texas before the elections? Or attacking Cuba the way they attacked Iraq?"

István Mészáros is author of *Socialism or Barbarism: From the "American Century" to the Crossroads* (Monthly Review Press, 2001) and *Beyond Capital: Toward a Theory of Transition* (Monthly Review Press, 1995).

This essay was written at the request of the Brazilian periodical, *Margem Esquerda*, and published in its November 2003 issue.

voiced as if the October Revolution of 1917, or the Chinese and Cuban Revolutions and the colonial liberation struggles in the following decades had never taken place, not to forget the humiliating defeat directly suffered by the mighty United States in Vietnam. Indeed, the uncritical defenders of the established order confidently anticipate that not only the coming century but the whole of the next Millennium is destined to conform to the unchallengeable rules of "Pax Americana".*

To be sure, all those who engage in the futile attempt to rewrite history refuse to acknowledge even the obvious; namely, that major historic events, like the ones just mentioned, cannot be wishfully undone in order to suit the political contingencies of the moment. Such events arise from quite fundamental social contradictions. They cannot be deprived in any way of their historical relevance and burning actuality as long as their deep-rooted contradictions have not been addressed in a positive and lasting form by a more advanced stage of development. Not even when we think of the kind of wholesale capitulatory reversal which we have witnessed in the former Soviet Union can we succumb to the view that the initial contradictions have been surmounted.

Dare we think about the next forty-five years? The answer can only be that we must. Historical changes of the magnitude here referred to, although they immediately make a dramatic impact, can only fulfill their full potential in a longer perspective. This is all the more true because the well entrenched historical adversary always adjusts its own strategies—constrained only by the ultimate limits of its systemic determinations—in order to nullify every move of its progressive counterpart. This is so whether the adjustments mean granting some more or less temporary reformist concessions or, on the contrary, ruthlessly engaging even in the most destructive course of action. This is why Khrushchev's notion of a "peaceful competition" with capitalist production, as the mutually accepted judge of the rival objectives, was extremely naïve, to say the least, when the actual historical stake concerned nothing less than the question of instituting a radical hegemonic alternative to capital's social order. The firmly established capitalist antagonist never entertained the kind of illusions for which a very high price had to be paid.

In this context we should not forget that if there is a question mark regarding Cuba's next forty-five years, the same question mark hovers over the future of all humanity. For at the present phase of capital's historical development, as a result of the system's deepening structural crisis, not only the past reformist concessions

* István Mészáros, *Socialism or Barbarism* (Kolkata: K. P. Bagchi & Co., 2001), 3.

must be taken back—as indeed they are—even in the capitalistically most advanced countries but, given the chronic insufficiency of the productively available remedy, the *deadly irrationality* of engaging in the most destructive course of action on a global scale looms large on the horizon, trying to impose itself as the *rational solution* to all our problems.

Cuba is next door to the United States and can be militarily reached very easily. But, of course, the same unhindered, easily reachable targeting is in active preparation—both for the purpose of blackmail, including nuclear blackmail, and for unleashing some devastating military action—even for the most remote corners of the world. Yesterday's "Star Wars Project" could still pretend to be a "defensive shield," even if in reality it was nothing of the kind. However, its heavily updated successor, codenamed "Falcon" (Force Application and Launch from the Continental U.S.), by no stretch of the imagination could be considered anything other than a blatantly offensive system of weaponry, to be deployed against the entire world. The first operational phase of this system will be completed by mid-2006, and the initial tests will take place already in 2004. The fully developed unmanned delivery vehicles will be able to "strike targets 9,000 nautical miles distant in less than two hours." Moreover, they will "carry a payload of up to 12,000 pounds and could ultimately fly at speeds of up to 10 times the speed of sound." The purpose of this infernal war machine is to enable the United States to go *it alone* against whichever country they please to subdue or destroy, in their design to achieve world domination as the unchallenged and unchallengeable ruler of global hegemonic imperialism. As John Pike, head of the Washington think tank, GlobalSecurity.org, commented on the new weapons system: "It is about blowing people up on the other side of the planet even if no country on earth will allow us to use their territory."*

The failure of the American government's long-standing policy against Cuba is widely recognized. Even a former minister of Margaret Thatcher's Conservative British government has great reservations about the American anti-Cuban stance and its adoption by the governments of Europe, as he made it clear in a recent article:

It is naïve in the extreme to think that in the post-Castro era Cuba will effectively become the 51st state of the US. Yet that is precisely what many in the US administration and indeed, on this side of the Atlantic, appear to believe. In fact, the very opposite is likely to happen....We must avoid the danger of borrowing the

* Julian Borger, "US-based missiles to have global reach," *The Guardian*, July 1, 2003.

blunt instrument of America's political sledge-hammer [nor should we view Cuba] through the unfocused binoculars of American wishful thinking.*

Needless to say, critical views, even when they cannot be accused of a "left-wing political bias," make no difference at all to the reactionary policymakers of the U.S. administration. One of their undersecretaries of state, John Bolton, shamelessly accused Cuba of being the supplier of biological weapons to the enemies of the United States, on the "grounds" that the Cubans have an advanced pharmaceutical industry. This was a provocative attempt to mark out Cuba as a "morally justified" early target for U.S. military attack. I myself sharply commented at the time (June 2002) in a Brazilian TV interview, that such men have no morality and no respect whatsoever for the truth. Not surprisingly, attempts of this kind, designed to indict Cuba of fictitious anti-American crimes, are constantly renewed. Fidel Castro reported in his May Day 2003 speech a very recent and equally threatening case:

The policy of the US government is so brazenly provocative that on April 25, Mr Kevin Whitaker, chief of the Cuban Bureau at the State Department, informed the head of our Interests Section in Washington that the National Security Council's Department of Homeland Security considered the continued hijackings from Cuba a serious threat to the national security of the United States, and requested that the Cuban government adopt all of the necessary measures to prevent such acts. He said this as if they were not the ones who provoke and encourage these hijackings, and as if we were not the ones who adopt drastic measures to prevent them.

The international controversy about the sentencing of the Havana hijackers had a great deal to do with disregarding the direct military threat to which the country was—and continues to be—subjected on this score.

The cynical pursuit of provocative acts and their hypocritical misrepresentation in the mass media remain the defining characteristics of U.S. policymaking that Cuba is condemned to live with for the foreseeable future, even if by no means for the next forty-five years. To be sure, not for the next forty-five years! For it is inconceivable that the present, extreme aggressive phase of global hegemonic imperialism—which is now absurdly trying to "compensate" for the incurable wastefulness of its system of *destructive production* by way of astronomical expenditures on armaments and associated military adventures, financed from the "black hole" of American indebtedness—should be able to endure

* Colin Moynihan, "Cuba has been left out far too long: Britain and Europe must break with 40 years of failed US policy," *The Guardian*, July 1, 2003.

for remotely that long, instead it may exterminate humankind altogether if not stopped well before that time.

Cuba has been forced to live in a state of emergency for a very long time. The great hardship that had to be overcome under such circumstances was not confined to the consequences of the American blockade. After the demise of the Soviet system the situation became even more aggravated, not only through the further tightening of the American blockade, in the vain hope of precipitating an immediate collapse, but also due to the country's sudden loss of its main markets and supply sources. As a result, the calorie and protein intake of the population was nearly halved, and the painful years of the "special period" were needed to restore the nutritional requirements of the people to the earlier level.

It goes without saying, the conditions of a continued state of emergency are unfavorable to the achievement of several desirable objectives both on the political/cultural and on the economic plane. But they cannot be simply wished out of existence, nor should they be, of course, prolonged any longer than it is historically justified, once the conditions change for the better.

Here we can see a great contrast with the Soviet experience. As we all know, for a number of years after the October Revolution the country had to cope with the extreme hardship of a genuine state of emergency. Later on, however, Stalin artificially prolonged for decades the earlier fully justified state of emergency, since that provided him with the easier option for implementing his authoritarian policies. But following in this way the "line of least resistance"—in that in Stalin's view all questioning of the decreed policies could be easily crushed—resulted in the institution of mass labor camps, with terrible consequences for labor productivity, bringing with it the gross violation of legality for which Khrushchev rightly castigated him in 1956. Moreover, when in 1952 Stalin had to admit that Soviet labor productivity was in serious trouble, he tried to remedy the situation by stipulating yet another authoritarian solution, in terms of a strictly managerial imposition of labor discipline. In his last major writing, "Economic Problems of Socialism in the U.S.S.R.," he decreed the eternal validity of the "law of value," the absolute permanence of the "nonessential" division between mental and physical labor, and the rightful separation of society into well rewarded "socialist executive personnel" ("our business executives") and "physical labor power" firmly controlled not only politically but also by "rational" market-like institutional practices. He insisted on the need for proper "commodity production and circulation" to be regulated on the basis of "cost accounting and profitability" bequeathing thereby a

dangerous legacy for the future also by conferring "socialist legitimacy" on the traditional authoritarianism of the "disciplining market" whose fateful consequences are familiar to us all.*

Obviously, there is nothing artificial about Cuba's painfully long state of emergency in the face of the constantly renewed and intensified military threats of its preponderant adversary. Nevertheless, no one can deny that the full potential of the Cuban Revolution will be brought to fruition in a future when, as a result of a fundamental change of circumstances and global relation of forces, it will be possible to say that the almost prohibitive burden of confronting capital's destructive forces belongs irrevocably to the past.

The victorious Cuban Revolution is both unique and of a universal significance. It is unique in that it grew out of two hundred years of resurgent struggle, at first against Spanish colonialism and thereafter against U.S. imperialist domination. The great historical figure José Martí—who more than one hundred years after his death remains a tremendous inspiration to the present—directly connected, in his far-sighted vision, the two phases. He thus clearly anticipated well before the conclusion of the anti-Spanish struggle that Cuban emancipation would only be accomplished when they have succeeded in defeating the new, American, domination.

But the Cuban Revolution is also unique in the sense that the overthrow of the servile Batista regime was preceded by three years of armed struggle, sustained by an ever increasing number of the country's population. To this must be added that at the time of the revolution's victory the U.S. government still maintained the illusion that it would still be able to dominate the country as it pleased under the new circumstances, even if in a somewhat altered form. Moreover, given the overwhelming popular support for the overthrow of the American client regime, in the heat of the moment it even had to make some friendly noises about the change.

When their attempts to reimpose their former domination by other means failed, at once they adopted an openly hostile attitude. It is on that account that we can clearly see that the historical adversary necessarily adjusts its strategies when it has to face a major challenge. It does so in order to reverse the situation, or at least in order to prevent further occurrences of what it has been surprised with or, rather, subjected to. Accordingly, subsequent U.S. policymaking not only against Cuba but all over Latin America (and

* For a fully documented discussion of these problems see chapter 17 of *Beyond Capital* (London: Merlin Press, and New York: Monthly Review Press, 1995).

not only there)—assuming the form of the violent overthrow of democratically elected governments (cynically in the name of “democracy and freedom”) and the imposition of brutal dictatorships—heavily underlines this point. The Cuban Revolution is thus unique also in the respect that in its aftermath even the first signs of a potential anti-imperialist armed struggle had to be crushed by direct or indirect U.S. intervention, as shown also by Che Guevara’s tragic fate.

The Cuban Revolution is unique for a variety of important reasons—including the historical constitution of its leadership from José Martí to the present—so it cannot be imitated or repeated, let alone turned into the compulsory model of revolutionary transformation. Nevertheless its universal significance cannot be emphasized strongly enough. In the past the attempts to impose the Soviet model, under Stalin and his successors, caused immense damage to the socialist movement everywhere. This cannot be allowed to be repeated in the future, no matter how great the temptations might be to do so. No one puts this more firmly than Fidel Castro himself. Talking about our own predicament he said:

Tremendously strong mass movements are emerging, and I think that these movements will play a fundamental role in future struggles. There will be new tactics: not the Bolshevik style and not even our own style, because these belonged to a different world. This should not discourage anyone. We need to see and analyze, with the greatest possible objectivity, the current setting in which the struggle will have to unfold, under the unipolar dominance of a superpower, the United States. There will be other roads and other ways by which the conditions will be created for transforming this world into another one.

The apologists of capital often try to rationalize and “explain away” their own contradictions and troubles as if they were the result of having been “exported” from an alien territory by a “subversive force,” and conspiratorially imposed upon them. As the lines just quoted clearly indicate, nothing could be further removed from a genuine strategy of socialist transformation. For a well-grounded strategy must always advocate the grasp of real levers of transformation by the given social movements which cannot succeed in their historic mandate unless they constantly reorient themselves under the prevailing social conditions and dynamically changing historical circumstances.

The universal significance of the Cuban Revolution resides in its

* Fidel Castro, “El mundo caótico al que conduce la globalización neoliberal no puede sobrevivir,” *Granma*, June 25, 1998. Quoted in Gilberto Valdés Gutiérrez, “El sistema de dominación múltiple” (unpublished).

great affinity with the aspirations of all those who want to extricate themselves from the paralyzing constraints of capital's social order.

Although in a general sense this concerns everyone who shares the cause of human emancipation, understandably the echoes generated by the Cuban Revolution were the greatest in Latin America. For the countries of that continent have been, and indeed are, all dominated by the same imperialist power, and their efforts to significantly redress their situation were constantly frustrated and ultimately always nullified, both for internal and for external reasons, by the system under which they had to reproduce their conditions of existence. The message of the Cuban Revolution to them was, therefore, twofold.

First, it focused on the question of regaining from America their national sovereignty and corresponding power of decision making, thereby freeing themselves from the military, political, and economic domination of their overpowering neighbor.

And, second, at the same time the fundamental questions of the socioeconomic reproductive system as a whole had to be subjected to a radical critique, both because of the capitalist order's overwhelming domination by the United States and, more importantly, because of the historical anachronism and destructive wastefulness of capital's social metabolic determinations in general at the present stage of history. In other words, all of the Latin American countries (and not only them) had to struggle in order to get out of the *real vicious circle* of trying to resolve their immense problems on the cynically inflated tiny margin of American "economic aid," when in reality it is the U.S. economy itself which remains massively dependent on the resources which it must exploitatively transfer from the rest of the world, in many different ways, to its own sphere of production and consumption.

Right from the beginning the message of the Cuban Revolution was unmistakable regarding both of these sets of questions which profoundly affect *all* of the Latin American countries. Thus, irrespective of how soon and how successfully the countries concerned can act in the interest of realizing the deeply interconnected objectives confronting them, the twofold message of the Cuban Revolution—calling not only for anti-imperialist struggle, but also for a *structural/systemic* change of society, as ultimately the condition of success also of the first—is bound to resound with ever greater intensity, even under the most difficult circumstances, over the entire continent.

As regards the time in front of us, there can be no doubt that the challenges and dangers are bound to remain enormous, despite

all the achievements. The military threat against Cuba by the United States has been intensified in the last few years, in line with the growing aggressiveness of U.S. policy all over the world. Indeed, as mentioned earlier, Cuba has been also singled out as one of the states constituting the extended "axis of evil," with all of the sinister implications of such a characterization. Nevertheless, the U.S. policymakers must also remember their humiliating fiasco at the Bay of Pigs. They must realize that Fidel Castro's assertion, in his May Day 2003 speech, is not an idle threat, when he insists that in case Cuba is attacked, like Iraq, "the aggressors would not merely be facing an army, but rather thousands of armies that would constantly reproduce themselves and make the enemy pay such a high cost in casualties that it would far exceed the cost in lives of its sons and daughters that the American people would be willing to pay for the adventures and ideas of President Bush."

In truth, the U.S. design for a permanent global imperialist domination has no greater future than the earlier varieties of—in the end always failed—imperialism. Sooner or later also the globally overextended aggressors are bound to come to grief, even if on the road to their ultimate failure they may destroy the conditions of human existence on this planet. And in that literally vital sense, overcoming the military threat to which Cuba is subjected is the common cause of all humankind.

Naturally, the dangers are not confined to the military plane. The other crucially important dimension is the political-economic warfare to which Cuba has been subjected in the last forty-five years, which has been constantly intensified and has assumed new and more dangerous forms. Today it takes the form of an enormous pressure for "marketization," rendered all the more problematical in view of the fact that the acceptance of market ideology significantly contributed to the disintegration of the Soviet system under Gorbachev and his collaborators.

When Stalin, in 1952, formulated his first version of marketized discipline—according to which "labor power" would be "compensated for" with "profitably produced consumer commodities" for its conformity to such discipline—much of what he had decreed was theoretically quite unfounded and had to remain in the realm of fantasy. For the Soviet system could not operate on the basis of commodity production and circulation, under the law of value, above all for the simple reason that it did not have a proper market, and least of all a labor market. Many things can be regulated in an economy with tolerable reliability with the help of a pseudo-market, which in fact did exist in the Soviet Union. But this is certainly not the case where the allocation and firm control of

labor power are concerned. Even Khrushchev resisted the temptation of extending the changes inspired by Stalin into that dangerous field. Only under Gorbachev was the critical step taken for the establishment of a fully fledged labor market, bringing with it catastrophic consequences for the Soviet economy and society at large, instead of fulfilling the totally unrealistic expectations of the policymakers.

This is where we find the crucial line of demarcation. Naturally, talk about marketization can cover many things, often implying nothing more than the better use of material and human resources. That is a perfectly legitimate concern under all circumstances. As a matter of fact, though, it happens to be grossly violated, despite all pretences to the contrary, precisely under capital's present phase of hopelessly wasteful production and consumption: the sworn enemy of all real concern with economy and with the corresponding rational allocation of resources. The question that needs answering is: who is in effective control of society's combined resources, the "associated producers" or an extraneous decision making force, even if the latter is ideologically embellished with the name of Adam Smith's imaginarily benevolent "invisible hand"? Once labor is allowed to become a commodity just like any other, tossed around according to the fetishistic/mystifying—and very far from objective—requirements of the labor market, the door becomes firmly shut to all aspirations to realize the much needed socialist objectives of the people. Instead, everything is poured into the whirlpool of capitalist restoration, as bitter historical experience tells us. Only the most eager form of wishful thinking can expect Cuban capitulation on this vital issue.

The Cuban Revolution demonstrated its solidarity, in a most tangible way, with the cause of human emancipation on countless occasions. But solidarity is a two-way street. International solidarity can make a meaningful contribution to the next forty-five years of the Cuban Revolution.

(continued from inside back cover)

The Enron affair has at least slowed the flow of this type of hypocrisy. The ties connecting the Enron criminals to the highest levels of the U.S. ruling class, from the President to the Harvard University Trustees, are clear. The U.S. accountants and lawyers who designed and carried out the frauds were at the very top of their professions. The Elf and Parmalat scandals have revealed criminal fraud of similar scope among similar strata of the rulers of the European Union. Can it be seriously argued that the topflight accountants and lawyers raking in vast sums in the U.S. and EU are not daily engaged in providing services substantially similar to those their colleagues at Grant Thornton and Arthur Anderson provided to Enron and Parmalat?

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Food Security in Cuba

SINAN KOONT

In 1996, Via Campesina, the recently formed international umbrella organization of grassroots peasant groups, introduced the term "food sovereignty": the right of peoples and states to democratically decide their own food and agricultural policies and to produce needed foods in their own territories in a manner reinforcing the cultural values of the people while protecting the environment.

A related but distinct concept of "food security" has been defined by the United Nations Food and Agriculture Organization (FAO) to include, among other aspects: (1) the production of adequate food supplies; (2) stability in the flow of these supplies; and (3) secure access, both physical and economic, to available supplies for those in need of them. Recently, Cuba, unlike most other countries in the world, has had to grapple with these questions under circumstances that would try most people's souls.

In the Caribbean, neither the history of colonial domination, including slavery and monoculture agriculture based on export crops, nor the climate, tropical and unsuitable for feed-grain production, allow for the easy satisfaction of food needs with local production. This has been made more difficult by the post-1990 disintegration of the Soviet Union, which resulted in the collapse of Cuban exports and imports and the loss of the preferential terms of trade of Cuban sugar for Soviet oil. In addition, during this time there has been a tighter U.S. blockade and increasing U.S. hostility. This is the "*periodo especial*" (special period) announced by Fidel Castro in 1990. By 1993, as Cuban production and imports plummeted, the daily intake of the average Cuban citizen had descended to 1863 kilocalories, including 46 grams of protein and 26 grams of fat, all figures well below FAO recommended minimums for a healthy diet.

It was obvious that something had to be done, and a rapid increase in imports of foodstuffs or inputs to food production was

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For reference notes to this article contact Claude Misukiewicz at the Monthly Review office.

out of the question. The bywords for food security, by necessity, had to be self-reliance and, to the extent possible, self-sufficiency: a tall order for any Caribbean economy, and doubly so for an economy under a hostile blockade by a powerful neighbor.

Cuba had to make *full, efficient* use of all available resources related to agriculture to (1) produce food directly using domestic inputs, (2) earn foreign exchange by exporting food and other cash crops (such as tobacco, sugar, and coffee), and/or (3) produce previously imported inputs into food production (such as petroleum) to allow the importation of indispensable necessities such as powdered milk, thus assuring the availability of food supplies and the stability of their flow.

A number of approaches have been used to put these overall strategies into practice over the last decade. The first was to identify and put idle lands to use, sometimes in ingenious ways. The second was to develop new schemes of work organization, pricing mechanisms, and incentives to stimulate, both quantitatively and qualitatively, the supply (and efficient use) of agricultural labor. The third approach involved researching, introducing, and disseminating new methods of work and technologies, including finding ways to minimize the need for hard currency expenditures on such things as petroleum and protein-rich animal feed. Since such dollar expenditures cannot be totally eliminated they also increased efforts to penetrate dollar markets with agricultural goods (food and non-food) so that these dollars—or at least those that end up in government hands—can be used, in part, to support food production *and* to import goods still needed for food production or for the direct needs of the population.

Creating "New Land"

Eighty percent of Cuba's population is urban. The Cuban government, acting through its Ministry of Agriculture, the Department of Urban Agriculture (created in 1994), and the National Urban Agriculture Group established soon thereafter, started promoting the approach of creating "new land" for cultivation as a way of finding local solutions to the food problem in Havana and elsewhere.

For this purpose it created three kinds of "new" land. The first of these, termed *organoponicos*, were gardens consisting of raised-bed containers filled with compost and manure-rich soil (often transported from elsewhere) constructed on lots that had been paved over, compacted, or were otherwise infertile.

The second form of land creation was to bring existing fertile land currently lying fallow, in vacant lots and parks or belonging to

enterprises/collectives, into food production. Such land is usually already in state hands, in which case it is put to use by *granjas* (farms) and *empresas estatales* (state enterprises) to produce for the market or to fulfill ration and other commitments by the state, or as gardens for *autoconsumo*, that is, to meet the needs of the workforces associated with various state enterprises such as factories, farms, sugar cane complexes, schools, and hospitals.

The third form of new land included cultivating the patios and yards next to people's houses.

Another innovation has been the *huerto intensivo* (intensive garden), which employs intensive gardening methods to maximize yield in small areas. Vegetables are planted close together on raised beds enriched with organic matter to provide adequate nutrition for the plants, but without retaining walls.

These initiatives are typically run by the state, collectives or cooperatives. However, local governments also assign rights to land to private individuals in the form of *parcelas*, so-called popular gardens, for as long as they are kept in production. Even privately-owned land can be assigned to would-be gardeners or farmers, unless the owner brings the land to a productive state within six months.

Finally, there has been a proliferation of backyard gardening, the so-called patios, propelled by campaigns led by a mass-based neighborhood civic organization, the Committee for the Defense the Revolution (CDR), and reminiscent of the victory gardens movement in the United States during the Second World War. By the summer of 2003, the number of patios in production had exceeded 300,000, with a goal for the future of over half a million patios, primarily aimed at increases in fruit production.

By the end of 2002, the goal of providing every settlement of over fifteen houses with its own food production capacity—whether *organipónicos*, group gardens, or individual plots—had essentially been met, and over 18,000 hectares were being cultivated in urban agriculture in and around cities.

The full-use goal has also been pursued outside of the urban setting with land left fallow or underutilized being given away to people willing to work. Export crops like coffee, cacao, and tobacco and food crops such as rice are being grown under such plans on hundreds of thousands of hectares.

There was also one more, unusual manner, in which “new lands” became available for food crops in 2002—a government decision to close down about half of the sugar mills, and convert the land (about 1 million hectares) to food production and reforestation. About 246,000 hectares (including about 100,000 in 2003) will be

devoted to annual crops aside from rice, representing a 73 percent increase of the area devoted to these crops.

Using Labor More Efficiently

The reorganization of the work process and the provision of proper incentives to workers have been the primary avenues to enhance the efficiency of labor. In 1998, agricultural as well as other enterprises began to take part in a new type of management process—the Sistema de Perfeccionamiento Empresarial (loosely translated as the System of Advanced Management). Under this system, enterprises start by keeping improved records. They then go through a diagnostic process of identifying current deficiencies and the potential for their resolution. Finally, they propose plans in the areas of labor and wage policy, management structures, and their choice of economic and efficiency indicators to be used to evaluate their progress.

There is a concerted effort to establish fair socialist norms of distribution in the area of cooperative or collective production in agriculture, where over one million Cubans work. The principle involved is stated as *"pago por los resultados finales,"* pay according to the final results—the more you produce, the more you get paid. In the agricultural sector the main thrust has been in the creation of organizational forms that make this approach possible. This was the primary reason for the 1993 program of "linking people to the land," breaking up state farms into smaller cooperative farms.

The breakup of state farms has made individuals or small work teams completely responsible for production on a given piece of land, thus making it feasible to tie their incomes to the amount actually produced on that area. Small farms worked by small groups of workers (mostly family based) have been established within agricultural enterprises still run by the state. These farms are directly subordinate to the director of the larger enterprise, and workers are paid according to the results they achieve.

Having organized work around individual or small group responsibility, the question of providing appropriate material incentives, of course, still remains. Pay for results, certainly, but exactly how much? Prices paid for agricultural products still constitute the primary material incentive. Beginning in 1994, the prices of food sold to the population, outside of the ration-book channel, were liberalized with the establishment of markets where all suppliers—private farms, cooperatives, and state farms—could sell their produce at whatever price the market would bear under the given supply and demand conditions. Prices paid for deliveries to the state have been increased for selected products, such as

milk, beans, coffee, and tobacco. Tax policy is also being used to stimulate food production and urban marketing, including tax exemptions for small farmers and preferential taxation in the farmers' markets of the city of Havana at 5 percent of sales, compared with 15 percent in the rest of the country.

Given the dual dollar-peso Cuban economy, some workers are paid part of their salary in dollars or given access to goods, like bicycles, work clothes, and shoes, and various other goods that are otherwise only available in dollar-only stores. In-kind incentives, such as better housing and use of rest and recreation facilities, are also used to stimulate production.

New Technologies Replace Imports

One of the serendipitous results of the Cuban crisis has been the forced change from conventional farming practices to organic farming. Cut off from favorable trade agreements with the Soviet Union and its allies a decade ago, and unable to afford buying on the international market, Cuba has become a gigantic laboratory for farming without petroleum and petroleum derivatives. From pest control to fertilization to soil preparation, chemistry is out and biology is in. The Crop Protection Institute operates over 220 centers that provide cheap and plentiful beneficial insects and microorganisms that attack plant pests. At hundreds of vermicompost centers, worms are digging through and then excreting organic waste to produce, in 2003, one million tons of natural compost per year—just one of the new ways in which farmers are trying to improve poor quality urban and rural soil. There are very rapid increases in the production of various types of organic compost, the quantity of such materials jumping seven fold from 2001 to 2002, reaching fifteen million tons in 2003. The Ministry of Agriculture has supported this process with a network of extension agents and supply stores. By 1997, in Havana alone, there were sixty-seven extension agents and twelve so-called seed houses. Currently in Havana, this effort is centered in the *tiendas consultorio agrícola* (TCAs), agricultural consulting stores. The number of TCAs is projected to rise to fifty, employing five hundred professional extension agents and technicians. The TCAs offer technical advice along with seeds, soil improvers, biological products, and technical literature. The **extension** agent plays the key role as disseminator of information about services offered by the TCA and communicator of scientific-technical advice and information to the urban agriculturalists. Across Cuba, urban agriculture employs the services of close to ten thousand professionals and over forty thousand technicians.

Progress is also being made in the main agricultural production regions in rural areas. Especially significant increases in production are being achieved for potatoes and rice. A very encouraging technological development is the introduction of a new approach to growing rice. This is called the System of Rice Intensification (SRI) and is promoted world-wide by, among others, the Cornell International Institute for Food, Agriculture and Development. While its application is in its very beginning stages, where tried, this system has doubled or even tripled rice yields in Cuba, as elsewhere in the third world, while reducing seed, water, and petroleum requirements. Optimistic rice experts are claiming that Cuba is potentially on its way to self-sufficiency in rice, and, in the future, will be able to use its excess rice production as animal feed! Potato production is another success story—although not an example of organic agriculture. Cuba still tries to maintain the supply of synthetic fertilizer needed for potato cultivation. The yields achieved have been impressive for a tropical island: in 1999, 23 tons/hectare, which in Latin America is second only to Argentina's 25-27 tons/hectare, and exceeds the European average if one includes Russia. For comparison, Canada's yield is 27-28 tons/hectare. Newly introduced technologies, such as new irrigation techniques (89 percent of the potato crop is irrigated), and new crop varieties have helped Cuba greatly improve potato production.

The general turn to organic agriculture and the renewed use of animal traction power (2,400 teams of oxen labor in the City of Havana) has produced the tremendous savings of imported energy and other products derived from petroleum. In 2003, the Ministry of Agriculture is using less than 50 percent of the diesel fuel it used in 1989, less than 10 percent of the chemical fertilizers, and less than 7 percent of the synthetic insecticides. In fact, all aspects of food production are daily battlegrounds in the fight to save energy!

Penetrating Markets that Pay in U.S. Dollars

There are at least three mechanisms through which non-sugar agricultural production can contribute to the dollar earnings needed to achieve food security in Cuba—and in the Cuban discourse it is always stressed that these dollars are needed to meet the food requirements of the population.

First, there are the stores that sell to tourists, as well as to Cubans, for dollars. Cubans have been able to hold and circulate dollars legally since 1993. Cubans can obtain dollars either through remittances from relatives living abroad (primarily in the United States) or by earning dollars in Cuba (as tips from tourism, among other options). These stores are called *tiendas de recaudación de*

divisa (TRDs), loosely translated as foreign exchange capturing stores.

Food and other agricultural product sales in the TRDs surpass \$200 million per year. No stone is being left unturned in trying to capture sales—in the first ten months of 2000, \$22,000 came through the efforts of the beekeepers of Ciego de Avila from their sales of honey and its derivatives, including cosmetics, in the dollar-based stores and at shops in tourist hotels.

Second, there is the provision of inputs to the tourism sector. One of the problems of Cuba's burgeoning tourism industry (about 1.7 million tourists in 2002) has been retaining the dollars that come in with the tourists. At the beginning of the tourism push in the early 1990s, most inputs into tourism, including food, were imported. There is in principle no reason why the ornamental flowers, lettuce, and mangoes served in Cuban hotels could not be grown in Cuba. The Ministry of Agriculture has had some success in its efforts to increase the quality and reliability of food delivery to tourist hotels, but the results remain well below potential. By 2001 only about 61 percent of all inputs into the tourism industry were of Cuban origin.

The last way for the state to earn dollars through sale of agricultural products is through exports. In addition to traditional export sectors like tobacco, coffee, and by now, citrus fruits, others such as apiculture and the shellfish industry have begun making contributions. Lest it seem a little odd for a country under nutritional stress to export foodstuffs in the quest for food security, it makes good sense to export high price foods like honey and shellfish to increase the availability of other foods. In fact, in 2001 the food imports and exports of Cuba were almost exactly balanced in value terms.

Access to Food

In the previous section, we surveyed Cuba's efforts—through production and importation—to assure the availability and stability of food supplies in sufficient quantities to feed its people. Now, we turn to a discussion of how Cuba tries to achieve the equally, if not more, important goal of securing access to the available food supplies. It is, of course, not enough for a country to produce enough food per person, on average. Each person, individually, must receive enough food. The failure to have adequate and fair food distribution has resulted in many examples of malnutrition or even famine in societies that produce sufficient amounts of foodstuffs per capita.

Cuba tries to keep food within the physical and economic reach of its population in a number of different ways. One of the most

important is the existence of various entitlements to food. The Cuban Revolution, since its inception, has used rationing as a means to bring social equity into its system of food distribution. In 1998, rationing guaranteed 5 lbs. of rice, 1 lb. of beans, and 3 lbs. of sugar per person per month. Chicken, eggs, fish, ham, and soy meal as well as potatoes, tomatoes, and vegetables were, even if irregularly, available in small quantities at a nominal cost. It should also be noted here, that every month, out of its agricultural production, the state delivers 28 lbs. of food per bed to hospitals, 13 lbs. per child to child care centers, and 10 lbs. per student to schools.

There are also voluntary redistributions of food, especially of the produce obtained in the popular gardens or *parcelas*. Some of this happens spontaneously, as productive urban farmers share their bounty with needy neighbors (especially the elderly) out of social solidarity. Some local governments more or less insist on "voluntary" contributions to local schools and hospitals, as a kind of social rent they feel justified in charging, because the use of land was given at no charge.

In order to help keep food prices within the reach of the population, the government has taken carefully designed actions. Although the opening and spread of farmers' markets after 1994 provided incentives for producers and tremendously increased the variety of produce for sale, the prices in these markets are high enough to preclude the participation of many if not most Cubans.

A partial solution to the problem of high prices in farmers' markets has been the establishment of state-based competitors. In 1998, the Ministry of Agriculture began a network of markets, supplied with production from state enterprises. Prices at these *placitas topadas* (limited price) markets are kept below those in the farmers' markets although the variety of products is more limited.

The government has pursued policies that make dollars, which earlier had been restricted to families receiving remittances from abroad and to workers in tourism who receive tips in dollars, available to more Cubans. As an incentive to some workers in sectors that do not regularly earn dollars directly, the government pays part of their salary directly in dollars. Offices have been established throughout Havana so that pesos can be changed into dollars (and vice versa) at a fairly stable "market" rate, currently twenty-six pesos to the dollar. As a result, the proportion of the population having some access to the dollar, and thus able to buy consumer goods (including food), which are not available in the peso markets, rose from 44 percent in 1996 to 62 percent in 1999.

Finally, access to food has been facilitated by the opportunity for cost-free access to the major means of production for food, namely, land. This principle has enabled work collectives, from state farms

and industrial enterprises to schools and hospitals, to put nearby idle land to good use by raising crops and animals for the consumption of the workers in work-place cafeterias. It has also enabled individuals who are not officially integrated into the agricultural workforce on state farms, such as retirees, to ask for small parcels of land to produce their own food.

What is the Outcome?

What kind of fruit have all of these efforts and policies borne in Cuba? Perhaps the one unquestionable success is to be found in the production of vegetables and starchy tubers and plantains—by 2000 the country surpassed the pre-crisis levels of 1989.

The brightest achievements in this area no doubt belong to the essentially crisis-created effort in urban agriculture, which, starting early in the crisis in Havana and bursting dynamically onto the national scene in recent years, has proved to be an outstanding contributor to food production, as well as a valuable source of employment and income for the urban population. In 2003, over 200,000 workers were employed in this sector, 35,000 new jobs having been created over the previous year amounting to 22 percent of all new jobs in the Cuban economy.

In general, there are very encouraging signs of increased production and efficiency. In 1999, there were gains in yields for sixteen of eighteen major crops, including not only vegetables, tubers, and plantains, but also corn, beans, rice, fruits, and coffee. Potato, cabbage, malanga, bean, and pepper yields are superior to those of Central America and above the average yields in the world. All of the provinces in Cuba increased their productions of vegetables, tubers, and plantains, and thirteen broke historical production records. Production figures for vegetables speak for themselves (in millions of tons): 1997, 0.1; 1999, 0.9; 2000, 1.7; and 2002, over 3. The results for 2003 are expected to exceed this achievement, 1.7 million tons having been harvested in the first six months of the year.

As a result, by mid-2000, vegetable and fresh herb sales nationwide had reached a level of 469 grams per day per capita, well above the FAO recommended amount of 300 grams per day. Cienfuegos and Ciego de Avila lead the nation with 867 and 756 grams per day respectively, while Havana reached 622 grams per day by November 2000, and Sancti Spiritus, Granma, Pinar del Rio, Las Tunas, and Guantanamo were all above 500 grams per day. By March 2003, Havana Province was producing 943 grams per day per capita.

Of course, major problem areas remain, especially regarding milk, meat, and eggs, which continue to require imported animal feed that Cuba cannot afford. Rice, usually grown on large state farms,

has also consistently fallen short of planned levels of production.

Even in these areas, there is some recovery and hope for the future. In the case of rice, for example, besides the expectations surrounding the SRI technology mentioned above, there are promising beginnings in the "popular rice" movement, inspired by the successes in urban agriculture and attempting to duplicate its results in rice cultivation. In 2003, 300,000 tons of rice will be produced in the country, up from 172,000 tons in 1999, reducing rice imports by more than 50 percent.

In the midst of all these transformations, it is important to note, that, in contrast to the shrinking role of the state in many third world countries in the current neoliberal era, in Cuba, the state and other collective forms of economic organization continue to play a major role, both in production and in facilitation and support. The most important bottom line is that, by the end of 2000, food availability in Cuba reached daily per capita figures of 2,600 calories and more than 68 grams of protein. The UN's Food and Agriculture Organization considers 2,400 calories per day and 72 grams protein per day to be an adequate diet. Despite the remaining problem areas, the acute food shortage crisis is essentially over. Cuban society has successfully made, while under considerable duress, heroic efforts to construct its own version of food security for its population, and has perhaps shown the way for other societies. On March 31, 2003, President Hugo Chavez of Venezuela, in the presence of the Cuban ambassador and the FAO representative in Venezuela, inaugurated the first Venezuelan *organopónico* in the center of Caracas. Other third world countries would do well to learn from the Cuban experience—most countries can produce sufficient food and ensure an adequate diet for all their people.

(continued from page 10)

Welcome to the world of 'free market' hypocrisy. With greed as the triumphant new motor of progress, and socialism buried under a mountain of slander, the only relevant calculus for criminal behavior is the rational assessment of the risk of being caught. And it should come as no surprise that those with the greatest resources have the best 'risk-reward' ratios. If you ask today where to find the roots of corruption, start with the 'free market' economics departments of Harvard and the University of Chicago. "This is the time when the very things which till then had been communicated, but never exchanged; given, but never sold; acquired, but never bought — virtue, love, conviction, knowledge, conscience, etc. — when everything, in short, passed into commerce. It is the time of general corruption, of universal venality, or, to speak in terms of political economy, the time when everything, moral or physical, having become a marketable value, is brought to the market to be assessed at its truest value." (Marx, *The Poverty of Philosophy*, MECW, Vo.6, p113)

After Neoliberalism

Empire, Social Democracy, or Socialism?

MINQI LI

Since the early 1980s, the leading capitalist states in North America and Western Europe have pursued neoliberal policies and institutional changes. The peripheral and semiperipheral states in Latin America, Africa, Asia, and Eastern Europe, under the pressure of the leading capitalist states (primarily the United States) and international monetary institutions (IMF and the World Bank), have adopted "structural adjustments," "shock therapies," or "economic reforms," to restructure their economies in accordance with the requirements of neoliberal economics.

A neoliberal regime typically includes monetarist policies to lower inflation and maintain fiscal balance (often achieved by reducing public expenditures and raising the interest rate), "flexible" labor markets (meaning removing labor market regulations and cutting social welfare), trade and financial liberalization, and privatization. These policies are an attack by the global ruling elites (primarily finance capital of the leading capitalist states) on the working people of the world. Under neoliberal capitalism, decades of social progress and developmental efforts have been reversed. Global inequality in income and wealth has reached unprecedented levels. In much of the world, working people have suffered pauperization. Entire countries have been reduced to misery.

According to United Nations' *Human Development Report*, the world's richest 1 percent receive as much income as the poorest 57 percent. The income gap between the richest 20 percent and the poorest 20 percent in the world rose from 30:1 in 1960, to 60:1 in 1990, and to 74:1 in 1999, and is projected to reach 100:1 in 2015. In 1999–2000, 2.8 billion people lived on less than \$2 a day, 840 million were undernourished, 2.4 billion did not have access to any form of improved sanitation services, and one in every six children in the world of primary school age were not in school. About 50

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percent of the global nonagricultural labor force is estimated to be either unemployed or underemployed.¹

In many countries, working people have suffered an absolute decline in living standards. In the United States, the real weekly earnings of production and nonsupervisory workers (in 1992 dollars) fell from \$315 in 1973 to \$264 in 1989. After a decade of economic expansion, it reached \$271 in 1999, which remained lower than the average real wage in 1962. In Latin America, a continent that has suffered from neoliberal restructuring since the 1970s, about 200 million people, or 46 percent of the population, live in poverty. Between 1980 and the early 1990s (1991-1994), real wages fell by 14 percent in Argentina, 21 percent in Uruguay, 53 percent in Venezuela, 68 percent in Ecuador, and 73 percent in Bolivia.²

The advocates of neoliberalism promised that the neoliberal "reforms" or "structural adjustments" would usher in an era of unprecedented economic growth, technological progress, rising living standards, and material prosperity. In fact, the world economy has slowed towards stagnation in the neoliberal era. The average annual growth rate of world GDP declined from 4.9 percent between 1950 and 1973, to 3.0 percent between 1973 and 1992, and to 2.7 percent between 1990 and 2001. Between 1980 and 1998, half of all the "developing countries" (including the so-called "transition economies") suffered from falling real per capita GDP.³

The global economy has been kept afloat by the debt-financed U.S. economy. Between 1995 and 2002, the U.S. economy accounted for 96 percent of the cumulative growth in world GDP.⁴ The U.S. expansion has been financed by reducing domestic savings, raising the private sector debts to historically unprecedented levels, and running large and ever-rising current account deficits. The process is unsustainable. The enormous imbalances have to be corrected one way or the other. If the United States cannot continue to generate ever-rising current account deficits and none of the other large economies are capable of functioning effectively as the autonomous driving force, the neoliberal global economy will be under powerful downward pressures and exposed to the threat of increasingly frequent and violent financial crises.

The social and economic disasters brought about by neoliberalism have already led to pervasive and growing popular resistance. The further deterioration of global economic conditions might well push hundreds of millions of people beyond the threshold of tolerance. A global rebellion against neoliberalism and capitalism cannot be ruled out. Those who consider themselves to be on the left, progressives or revolutionaries, should be ready, first of all intellectually, for such a development.

Neoliberalism and Global Stagnation

Neoliberalism is not able to provide an institutional framework for sustained global capital accumulation. Neoliberalism undermines and dismantles the institutions set up to stabilize the capitalist economy and alleviate capitalist social contradictions. The capitalist global economy is therefore left exposed to increasingly frequent and violent financial crises. As the editors of *Monthly Review* put it: "Globalization under neoliberal regimes has meant in many ways the globalization of stagnation tendencies and financial crisis."⁵

Global effective demand is the sum of global private consumption, global private investment, and global government expenditures. Under neoliberalism, global inequality has reached unprecedented levels and working people in many parts of the world have suffered from absolute pauperization. It follows that the purchasing power of the great majority of the world population has fallen or grown more slowly than world output.

Private investment in the face of global overcapacity stagnates, and private capital turns to speculation in financial instruments. As a result of financial liberalization, cross-border speculative capital flows have greatly increased, raising the danger of capital flight and financial crisis. Against such dangers, some central banks are forced to maintain high interest rates, in effect paying a risk premium to global finance capital. The average ratio of real interest rate to GDP growth rate in the seven leading capitalist economies was 0.97 between 1881 and 1913, 2.40 between 1919 and 1939, 0.36 between 1946 and 1958, 0.55 between 1959 and 1971, 0.47 between 1972 and 1984, and 2.34 between 1985 and 1997. It is worth noting that the real interest rate has been higher than the economic growth rate only in two periods, the interwar depression years and the neoliberal era. A ratio greater than one implies an inversion of the roles of productive and speculative investment, and is a signal of systemic crisis.⁶

Under neoliberalism, governments have mostly pursued tight fiscal and monetary policies, restraining public spending. With liberalized financial markets, governments that run fiscal deficits are likely to be "punished" by private investors who may respond with capital flight and attacks on the currency. Therefore, governments (especially the governments of peripheral and semiperipheral countries) are under strong pressures to maintain fiscal balance by cutting expenditures. All neoliberal regimes seek to limit government expenditure. To summarize, in the neoliberal era, all three components of global effective demand are subject to strong downward pressures and have tended to either contract or stagnate.

The nineteenth century Marxists regarded the contradiction between socialized production and the capitalist system of private appropriation as the basic contradiction of capitalism. One may argue that the increasing socialization of production has found its expressions in the rising importance of fixed capital and the increasingly complex and interrelated financial structures. Since Keynes, many economists have understood that investment in fixed capital is subject to fundamental uncertainty and is often beyond the reach of rational calculation. The growing complexity of financial structures has greatly increased the chance that sudden movements in investors' confidence and psychological conditions may lead to drastic and substantial fluctuations of investment and through investment, the economy. To prevent capitalist economies from falling into deep recessions or depressions, it is necessary to have a "big government" that can function effectively as the macroeconomic stabilizer.⁷

Neoliberalism, by pursuing financial liberalization and attacking the public sector, has significantly undermined and in some cases totally dismantled its stabilizing functions. The neoliberal era has seen increasingly frequent and violent financial crises. The Mexican crisis in 1995 was followed by the Asian Crisis in 1997, the Russian and the Brazilian crises in 1998, and the Argentine crisis in 2001. The role of the global macroeconomic stabilizer has been played throughout by the U.S. Treasury and by U.S. imports of goods and services increasingly in excess of U.S. exports; can this continue?

The U.S. Financial Bubble and Imbalances

Without a large economy capable of generating some autonomous demand, the global economy might have already entered into a downward spiral. The U.S. economic boom in the second half of the 1990s and its large and growing trade deficit have functioned as counteracting forces against the generally contractionary tendencies of neoliberalism.

The U.S. economic boom was led by debt-financed private sector consumption and by a burst of corporate investment in "high tech." The private sector financial balance (incomes less expenditures) moved from the historically normal range of 3-4 percent of GDP to unprecedented negative territory, reaching negative 5.5 percent by the third quarter of 2000. Household and corporate sector debts as a percentage of GDP were at historical peaks. Households were willing and able to borrow at such a rate because of the great asset price bubble. Measured by indicators such as Tobin's "Q" (the ratio of market value of assets to replacement cost of capital) or by reference to price-earning ratios, the U.S. stock market bubble that

reached its greatest expansion in 2000 is the most extreme in U.S. economic history.⁸

When the stock market bubble burst, corporate sector spending slowed significantly (particularly in "high tech"). To avoid a deep recession, the U.S. general government fiscal balance has moved from a surplus of 1.4 percent of GDP to a deficit of 4.6 percent of GDP between 2000 and 2003, or a swing of 6 percent of GDP, and the U.S. Federal Reserve has lowered the short-term interest rate from 6.5 percent to 1.25 percent. Despite the dramatic loosening of fiscal and monetary policy, U.S. growth has been sluggish and employment stagnant. These policies have in effect helped to sustain the bubble. Household sector debt expansion has been sustained, the stock market bubble has not been fully deflated, and a housing market bubble is in turn approaching its peak.

The U.S. current account deficit, largely the result of a steadily increasing deficit in its international trade in goods and services, reached 5 percent of GDP in late 2002. For the capitalist world's hegemonic power to run a current account deficit on such a large scale is without historical precedent. By contrast, on the eve of the First World War, Britain ran current account surpluses close to 4 percent of GDP.

The U.S. current account deficits are matched by reciprocal capital inflows from the rest of the world. For the ever-rising U.S. current account deficits to continue, the rest of the world must be willing to hold an increasingly bigger proportion of their financial reserves in dollar-denominated assets. Stephen Roach, the chief economist of Morgan Stanley, points out:

Currently, about 75 percent of the world's total foreign exchange reserves are held in the form of dollar-denominated assets—more than twice America's 32 percent share of world GDP (at market exchange rates). At the same time, foreign investors hold about 45 percent of the outstanding volume of US Treasury indebtedness, 35 percent of US corporate debt, and 12 percent of US equities. All of these ratios are at or near record highs. Never before has the world put more stock in America—both as an engine of growth and as a store of financial value. The problem is that the math gets exceedingly tenuous if it is projected into the future.⁹

Projections of current account deficits at current rates need not go far into the future to become "tenuous." According to one study by the Levy Economics Institute, under plausible assumptions, and supposing the U.S. economy to grow at a rate sufficient to lower the unemployment rate, the U.S. net foreign liability would reach more than 60 percent of GDP and the current account deficits could reach 8.5–9.5 percent of GDP before 2010.

Alternative Scenarios of Global Economic Crisis

There are four possible ways for the unsustainable growth in the U.S. current account deficit to be reversed. First, if the rest of the world grows more rapidly, indeed far more rapidly, than the current growth rate of the U.S. economy, there will be increased demand for U.S. goods and services, allowing U.S. exports to grow more rapidly to close the gap with the imports. Second, the U.S. current account deficit could be corrected by contracting U.S. domestic demand. Third, the explosive growth in the current account deficit may be corrected through adjustments in "relative prices"—i.e., devaluation of the U.S. dollar. Finally, the exercise of political and military power might affect the components of the growth in the current account deficit in a manner favorable for the United States.

There is no prospect in the next several years of the first possibility, i.e., growth in the rest of the world at a significantly faster pace than current growth in the United States. The burden shall fall on the second and third options which, while achievable, pose immense risks.

Limiting domestic U.S. growth, and therefore imports and the trade deficit, by raising domestic interest rates is certainly within the theoretical ability of U.S. policy makers. Indeed this would be the "orthodox" IMF medicine administered to any other state on the planet were it to find itself in anything like the U.S. current account difficulties. But the United States is not like any other state on the planet, it is the hegemon. No institution exists to force such medicine upon it. And for the U.S. ruling elite, this course is not politically possible, at least at this stage of the electoral cycle. But of even greater concern are the dangers posed by the vast unprecedented accumulation of U.S. consumer and mortgage debt. Absent a surge in domestic growth, which would itself aggravate the current account difficulty, rising interest rates risk a wave of personal bankruptcies of Great Depression proportions.

The remaining option is dollar devaluation, and it is clear that a gradual and controlled devaluation is the policy preferred by the U.S. Treasury, and already being put into effect. The depreciation of the dollar makes U.S. goods cheaper and foreign goods more expensive for U.S. households and corporations. It helps to stimulate exports and dampen imports. However, dollar depreciation reduces U.S. demand for foreign goods and exports deflationary pressures to the rest of the world.

The Asian economies (Japan, China, and Southeast Asia) together run current account surpluses of \$230–240 billion a year, or nearly half of the U.S. current account deficits. But the Asian economies

have either pegged their currencies to the U.S. dollar or have intervened heavily to prevent currency appreciation. This leaves the burden of adjustment almost entirely on Europe.

The European economy has not been able to generate any expansion in domestic demand, and its growth has relied exclusively on exports. Europe's largest economy, the German economy, is in recession and such signs of growth as exist elsewhere are weak. Dollar depreciation therefore is particularly threatening for the European economies. Further, the Euro-area governments are constrained by the so-called "Stability and Growth Pact" which requires fiscal deficits no greater than 3 percent of GDP.

Financial circles have urged the European governments to pursue "structural reforms," bringing labor and product market policies to U.S. standards. "Structural reforms" will supposedly unleash productivity growth that "in the long run," will create conditions for vigorous demand expansion. From the point of view of financial capitalists, for vigorous accumulation to take place there has to be a dramatic improvement in profitability and capitalist confidence. For the capitalists to be confident, "structural reforms" have to take place to break the resistance of the working class. At this moment, it is not at all clear that the European capitalist class can decisively defeat the resistance of the working class. But if the so-called "structural reforms" are indeed carried out, their negative effects on domestic demand (through further attacks on working people's living standards) may very well overwhelm whatever "positive" effects they may have on the "long run" accumulation.

With the European economy stagnating, it is inconceivable that it can absorb enough U.S. exports to correct the U.S. current account deficit. A correction that depends entirely on dollar depreciation would require a catastrophic decline in the dollar's value. By some estimates, the dollar may need to fall by 30-50 percent. Such a decline would be politically, economically, and psychologically unacceptable.¹⁰

If the U.S. dollar is not going to depreciate against any other currency, why does the current account deficit have to be corrected? If the rest of the world's central banks keep intervening, flooding the world with their own currencies (euros, Japanese yens, and the Chinese renminbi) to prevent dollar depreciation, why cannot the United States run an ever-larger current account deficit for an indefinite period of time? It cannot go on indefinitely because the rising U.S. current account deficits absorb a growing proportion of the global saving. A theoretical limit will be reached when the entire world's saving is exhausted to finance the U.S. current

account deficit. But the practical limit will be reached long before the theoretical limit. This course would raise U.S. and Japanese government debt to astronomical levels. These gigantic government debts would exist along with enormous household and corporate debts in the United States and Europe.¹¹

How can these debts be financed? There are two possibilities. First, a global depression and widespread household and corporate bankruptcies may destroy much of the private debts. This is the historical solution that has obtained in all prior systemic crises of capitalism. In theory, as debt is devalued the conditions for a new cycle of capitalist accumulation on an even higher level gradually come to exist. But in the last such global depression such spontaneous recovery was inadequate, for reasons inherent in monopoly capital that are even stronger today. This option therefore supposes an extended period of depression. Whatever the outcome on this hypothesis one thing is certain, neoliberalism would be dead for a very long time, if not forever.

Secondly, the enormous private and public sector debts could be inflated away, that is, financed by printing money. Given the magnitude of the enormous debts to be inflated away, the inflation strategy may send the global economy into vicious cycles of hyperinflation and skyrocketing interest rates. If there is any one option ruled out by all of the various global ruling classes, it is this.

Towards an Imperial Solution?

Is there a solution to the crisis within the existing exploitative, oppressive framework? The U.S. economy is in deep crisis, and given the role it plays in the world economy much depends upon it. But U.S. imperialism continues to control the world's most powerful, unchallenged military forces. Can the U.S. ruling elite use its forces to build an exploitative empire, establish unprecedented political and military dominance over the world, and in the process manage its economic crisis? In fact, current U.S. policy is an attempt to do just that.

To contain the explosion in the U.S. current account deficit, imports need to be reduced. One way is to reduce such key imports as motor vehicles and electronic goods by increasing their cost in U.S. dollars through a revaluation of the yen and the renminbi. This can only be achieved by political pressure, and it is being applied. Other substantial imports, such as clothing and footwear, cannot be reduced in quantity since U.S. producers no longer exist to supply the amount needed. Here costs can be contained by the relentless imposition of a "race to the bottom"—the continual transfer of production to ever poorer and more desperate countries. Here some

military force works wonders in enforcing neoliberal immiseration; consider the results of U.S. intervention in Nicaragua and Africa. But the key import is mineral fuels, and here the long-term cost can only be contained by U.S. control of the physical resources. The hand on the spigot that regulates production (and therefore price) must be controlled by the United States. This is one aspect of the economic benefits of U.S. global political power sought through military strength.

The other aspect of any strategy to contain the unsustainable growth in the current account deficit needs to be an expansion of U.S. exports. Yet with the U.S. manufacturing base in terminal decline, only the prospect of monopoly prices for "intellectual property" offers hope. Here too the imposition of monopoly prices for the licenses, genetically modified seeds, pharmaceuticals, songs and movies, is a matter purely of political power based on military strength.

But how can this imperialist project be financed? The costs of U.S. military expansion are likely to aggravate rather than alleviate the U.S. economic crisis. Stephen Roach of Morgan Stanley asks the question: "Can a saving-short US economy continue to finance an ever-widening expansion of its military superiority?" His answer is: "The confluence of history, geopolitics, and economics leaves me more convinced than ever that a US-centric world is on an unsustainable path."¹²

Could the U.S. military expansion be financed by the expansion itself? Andy Xie of Morgan Stanley estimated that the direct and indirect effects of the U.S. occupation of Iraq could save the United States \$40 billion a year in expenditures on oil imports.¹³ Assuming these "benefits" are fully realized, that is only a fraction of the U.S. current account deficits.

But faced with the increasingly pervasive popular resistance in Iraq, the United States has not yet been able to realize any of these projected "benefits." Months after the so-called "major combat operations" ended and despite the fact that the United States has committed half of its entire regular army in Iraq, the United States is losing its grip on Iraq, unable to control the roads and borders, the water, and the electricity supply.

Out of the U.S. Army's thirty-three combat brigades, sixteen are now in Iraq, two are in Afghanistan, two are in South Korea, and one is in Kosovo. Of the twelve brigades in the United States, three are in modernization training, three are in reserve for possible war in Korea, and two are going to relieve the troops in Afghanistan. There are only four brigades left to relieve the sixteen brigades in Iraq. In effect, the United States has exhausted its entire regular army just to occupy such totally impoverished third world countries as Afghanistan and Iraq.

Whatever the economic "costs" or "benefits," U.S. imperialism is losing the political and ideological battle. According to the latest survey of the Pew Global Attitudes Project (based in Washington), "America's image around the world has taken a sharp turn for the worse."¹⁴ The project of a U.S. global neoliberal empire based on force *has* already failed. Not because of internal limits in the working of capitalism alone, but because the attempt to avoid the economic crisis that neoliberal policies produce through global military dominance has already come up against its limits in popular resistance in Iraq. The crisis of neoliberalism shall follow.

Towards Social Democracy?

What will the post-neoliberal world look like? One possibility is a return to social democratic capitalism. Between 1950 and 1973, with social democratic institutions such as big government, Keynesianism, class compromise, redistribution of income and wealth, and regulation of capital, world capitalism experienced the great "golden age." For a quarter of a century, the leading capitalist countries enjoyed rapid economic growth, low unemployment, rising living standards, and social stability. Peripheral and semiperipheral states were able to make some progress in national development through "import-substitution" or "socialist" industrialization. Could a return to social democracy bring about a return of the great golden age?

The inherent contradictions of capitalism did not stop developing under social democratic capitalism. Within certain limits, the social democratic institutions helped to alleviate the class conflicts and maintain a relatively high level of aggregate demand. Under certain historical conditions, these institutions were consistent with high and stable profit rates and facilitated rapid capital accumulation. However, as these institutions existed and operated, they tended to create new conditions that increasingly undermined worldwide accumulation. The changing balance of power between capital and labor, and between the core and the periphery resulted in the worldwide decline of profitability and contributed to the accumulation crisis in the 1960s and the 1970s.¹⁵ It was exactly in response to the crisis of social democratic capitalism that the global ruling elites started to pursue neoliberalism as the "solution" to the crisis.

Suppose the current crisis is to be resolved on a social democratic basis. National regulations of trade and capital flows are reintroduced, labor and financial markets are reregulated, income and wealth are significantly redistributed in egalitarian ways, and the public sector is again to play a significant role in the economy.

Will these changes be sufficient to bring about a new golden age? Without changing the fundamental institutions of capitalism, what is to prevent the inherent contradictions of capitalism from developing? What is to prevent the "new" social democratic capitalism from entering into a new accumulation crisis?

The establishment of social democratic capitalism could not take place without at least a partial political victory of the working classes. But if that turns out to be the case, the working classes in different parts of the world will demand not only restoring their historical social and economic rights and consolidating their existing rights, but also greatly expanding these rights. How can these new social reforms be financed? If they have to be financed by additional taxes on capitalist profits, can the revival of social democracy survive the revival of the working classes' bargaining power? The growth rates of the post-Second World War golden age were an exception to the stagnation that characterizes global capitalism in its monopoly phase. Absent such growth rates, no social democratic capitalism is possible.

There are other problems that a revived social democratic capitalism would not be able to address. Can social democratic capitalism provide the necessary institutional framework for dealing with the global environmental crisis? Environmental investment and regulations increase the overall costs of capitalist production (this is not to be confused with the fact that environmental businesses may create profit opportunities for some individual capitalists). There is the question whether after taking full account of environmental costs, the remaining profits would be sufficient to induce an adequate level of accumulation. But more likely, in a capitalist world economy with nation states, the competition between different capitalist states will prevent them from taking full account of environmental costs. In that case, social democratic capitalism will simply be an "alternative" way towards global ecological catastrophe.

Reevaluating Socialism

Marx said that the historical justification of capitalism was to develop the forces of production. Capitalism has clearly succeeded in the development of the forces of production. It has also succeeded in bringing about material prosperity for the top 15-20 percent of the world population. However, it has decisively failed to meet the basic physical and emotional needs of the great majority of human beings that live in the periphery and the semiperiphery. In fact, Immanuel Wallerstein questioned whether there has been any improvement of quality of life for the poorer majority of the world

population since the beginning of the capitalist world economy.¹⁶

During the twentieth century, human beings twice went through the horrific catastrophes of imperialist wars that arose out of the fundamental contradictions of capitalism. The past quarter of a century was another dark age in human history. Under neoliberalism, inequality, oppression, and exploitation have reached new extremes. In the meantime, under capitalism humanity is rapidly approaching a global ecological catastrophe.

In the light of the enormous social and economic disasters brought about by neoliberalism, it is necessary to reevaluate the historical experience of socialism. Ten to fifteen years ago, the experience of state socialism in the former Soviet Union, Eastern Europe, China, and Cuba was generally considered to be a great failure. In addition to their undemocratic features, the state socialist societies were believed to have failed because they were not able to match capitalism in terms of efficiency and technical innovation. For a while, many have attempted to design new, "viable" models of socialism. Many of these models intend to be as efficient as capitalism by incorporating such capitalist features as markets, competition, and private incentives.

Now few would doubt that the majority of the Soviet and Eastern European people lived much better lives under state socialism than under the present "free" and "democratic" capitalism. Even in China, where the economy has been the most dynamic in the world, capitalist reforms since the early 1990s have substantially reduced the living standards of the peasants and the urban working class, so that in many respects (health care, education, job security, and workplace conditions), a significant portion of the Chinese working people now have lower living standards than during the Maoist era.

The historical achievements of state socialism should not be under-estimated. The accomplishment of full employment and job security (freedom from the fear of unemployment) for all capable adults, men and women, was of enormous importance. It is well known that state socialist countries had been more successful in meeting people's basic needs (nutrition, health care, education, housing, and pensions) and improving women's conditions than capitalist countries with similar levels of economic development. Soviet, Eastern European, and Cuban socialism had succeeded in meeting virtually all basic social needs, an achievement that most of the advanced capitalist countries cannot claim.

What will be the relevance of socialism for today's struggle against neoliberalism? As the crisis of neoliberalism deepens, in many peripheral and semiperipheral states (such as in Latin America), the situation has developed to the point that without a complete break with international finance capital, the imperialist

states, and the international institutions that represent their interests, there are simply no resources left (after paying a significant portion of the national output each year to international finance capital) for even simple reproduction of the society, not to say to address grave social problems. In this situation, the only sensible solution that is in the interest of the majority of the people is to make a complete break with the existing international capitalist order. The national economy needs to be restructured so that resources are redirected towards production for basic needs rather than organizing the national economy around exports to the core countries, under conditions of unequal exchange, in order to import luxury consumer goods for the privileged elites and the means of production that are used to reproduce the existing pattern of the international division of labor, generating "trade surpluses" to serve debt payments and finance capital flight. But these arrangements will inevitably have conflicts with the interests of the big financial and industrial capitalists. At some point, nationalization of the major means of production and the development of a comprehensive economic plan will have to be pursued for the economic and social transformation to be sustained.

In the former Soviet Union, Eastern Europe, and China the corrupt capitalist privatization processes are extremely unpopular. Should new social revolutions take place, one can expect the renationalization of all the illegally privatized assets to be among the top popular demands. The renationalized assets then would form the basis of a new socialist economy. The revival of socialism in the periphery and the semiperiphery may set in motion a new wave of world socialist revolutions.

Can the next round of socialist revolutions do better than the twentieth century revolutions? In what way can socialism prove itself to be better than capitalism? Summarizing the historical lessons of Soviet socialism, David Kotz argues that, in purely economic terms, centrally planned state socialism was a viable system. The Soviet system disintegrated because a procapitalist political alliance (including the majority of the bureaucratic elite) arose and gained power. Kotz suggests that for a future socialism to be viable, it must have a democratic state and other institutions that prevent the development of a privileged and dominant elite.¹⁷

Provided that a future socialist society will be based on political democracy, how will a future socialist economy be organized and structured? In addition to many existing theoretical contributions on the subject, future socialist movements will certainly be able to develop a great variety of new institutions, new practices in actual historical struggles. Ultimately, the future socialist economy has to be organized in such a way that it is capable of addressing the historical contradictions to which capitalism has failed to provide a solution.

Given the historical record of state socialism, one can have great confidence that an economic system based on primarily public ownership of the means of production and democratic planning (democratic control over the allocation of the social surplus) will have a great chance to succeed in meeting the basic needs of all members of society. If this can be achieved, then at the very least, socialism will bring about a better material life for the poorest 60–70 percent of the population in the world, whose basic needs have never been met under capitalism.

Socialism offers the best hope for humanity to avoid global ecological catastrophe and to build harmonious relationships between human beings and our environment. In this respect, the record of state socialism was not favorable. But the record needs to be understood in its historical context. In addition to the bureaucratic, undemocratic nature of state socialist planning, state socialist societies were forced to engage in military and economic competition against hostile capitalist powers. Given the context, they were forced to sacrifice everything in order to “develop the forces of production.”

The hope is that the future socialist society will have better, generally benign external environments (if there is not going to be a world socialist government). In that case, there will not be external pressures to force future socialism to develop the forces of production rapidly and in an unbalanced fashion. Given the arrangements of political democracy and socialist planning, people in these societies will be able to debate and decide, based on their own preferences, how much surplus they would like to generate as well as determine how the surplus should be allocated. The need to have a sustainable environment, through democratic processes, will be understood by the general public, and will be reflected in the planning, balanced against other needs and desires, including the desire for material comfort. Unless one believes that people will always be capitalist minded, always wanting more regardless of how that affects future generations, then it seems that sustaining the environment in which human beings live would certainly become one of the paramount objectives of future socialist planning.

Notes

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4. Stephen Roach, "Global: Do Imbalances Matter?," Morgan Stanley Global Economic Forum, www.morganstanley.com/GEFdata/digests/latest-digest.html, September 2, 2003.
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12. Stephen Roach, "Worldthink, Disequilibrium, and the Dollar," Morgan Stanley Global Economic Forum, May 12, 2003.
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MONTHLY REVIEW

fifty YEARS AGO

The Fred Wright (1907–1984) cartoon below appeared in the January 1954 issue of MR. Wright was for many trade unionists the best-loved and most admired American labor cartoonist of the twentieth century. During a forty-five-year career that spanned the Great Depression and the Reagan era, much of it spent as staff cartoonist at the United Electrical, Radio and Machine Workers of America (UE), Wright earned an international reputation. Wright was born in Derby, England, to a wheelwright father and seamstress mother. When he was five years old he received his first drawing lessons from his grandfather, a decorative painter and founding member of Britain's Labour Party. After his family migrated to the United States, Wright supported himself as a musician in Prohibition-era speakeasies and studied with John Sloan at the Art Students League in New York.

With the end of Prohibition in 1933, Wright found work playing his saxophone on Caribbean cruise ships. On these voyages he also saw the appalling poverty of Central America. After talking to seamen who belonged to the emergent National Maritime Union (NMU) he began drawing political cartoons, selling his first one to the union's publication, *The Pilot*, in 1939. He became a full-time cartoonist in 1940, supplying cartoons to the NMU and other CIO unions. Joining the staff of the *UE News* in 1949, Wright also designed leaflets and strike placards and worked on animated organizing films; his work for that paper was reprinted in labor and radical publications worldwide. He remained with the UE until his death at which time he was the only cartoonist employed full-time by a union in the United States. A collection of his work, *So Long, Partner!*, as well as other materials on U.S. labor history, is available from the UE at www.ranknfile-ue.org/cat_ordr.html.



SO WHAT'S WRONG WITH A PRIVATE CITIZEN SPENDING 75% OF HIS INCOME ON ARMAMENT JUST LIKE THE GOVERNMENT?

European Labor

The Ideological Legacy of the Social Pact

ASBJØRN WAHL

Europe's trade union movement is on the defensive. It is also in a deep political and ideological crisis. At present, the trade unions are unable to fulfill their role as the defenders of the immediate economic and social interests of their members. They have lost ground in all sectors and industries. What was, in the post-Second World War period, the strongest and most influential trade union movement in the capitalist world is today openly confused, lacks a clear vision, and hesitates in its new social and political orientation. Ironically, the same theories, analyses, and policies which gave it its strength in the postwar period have now become a heavy burden. The ideological legacy of the "social pact" is now leading the trade union movement astray.

The Neoliberal Offensive

Behind this development is the ongoing neoliberal transformation of our societies. As this process is not the theme of this article, let us just mention a few important points. Over the last twenty years, we have been confronted with an immense offensive from neoliberal forces. Capitalist interests have gone on the offensive, and we have seen an enormous shift in the balance of power between labor and capital. Multinational companies have, of course, been at the forefront of this development. The postwar "social pact" between labor and capital, the policy of peaceful coexistence between unions and employers, has broken down. The capital side has withdrawn from the social pact and is increasingly pursuing a confrontational policy towards organized labor.

The attempts by multinational companies and their political servants to deepen and to institutionalize their newly-achieved positions of power are important parts of this development. This is being done mainly through international institutions and agreements

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such as the World Trade Organization (WTO) and regional power structures like the European Union (EU). Since these bodies are less democratic than local and state governments, they have proved to be the most useful and effective instruments for the institutionalization of corporate power.

The following analysis is based on the concept that the EU is today the conduit through which the neoliberal social and economic model is being institutionalized in Europe. The EU and other regional and supranational institutions are being constructed on the basis of the new balance of power and cannot be changed, democratized, or defeated until workers are able to shift the current balance of power in their direction. Such a shift would require the trade union movement to make its main long-term task the mobilization of popular and working-class power.

New Conditions, Old Policy

Unfortunately, mobilizing working-class power is not the project of the trade union movement in Europe today. The paradox labor faces is that while the economic and political climate in which the trade unions must operate has changed enormously, most unions have continued to pursue the policy of the social pact. They consider so-called globalization to be not the result of conscious strategies and new power and class relations, but rather the necessary consequences of technological and organizational changes, a position remarkably similar to that expressed by Margaret Thatcher when she infamously said, "There is no alternative." What is needed, they say, is to transfer the policy of the social pact from the national to the regional and global level. Their methods are "social dialogue" with employer organizations and state and suprastate institutions, campaigns for the formal introduction of labor standards (such as the labor conventions of the International Labor Organization [ILO], which, among other things, prohibit forced labor, guarantee the rights of free association and collective bargaining, and prohibit employment discrimination) in international trade agreements and trade organizations, as well as the pursuit of corporate social responsibility (CSR) codes of conduct and framework agreements with multinational companies. These latter are voluntary, unbinding, and unenforceable codes of conduct developed by the multinational companies themselves. So far, they have had no identifiable effect on corporate behavior and seem to have as their main aim counteracting the negative public image of many multinational companies.

This "social dialogue" strategy is being pursued independently of

a concrete analysis of power relations and without recognition of the necessity of mobilizing class and popular power to achieve social change. To understand the current state of affairs, we have to look more closely at the history of the European labor movement—in particular the policy of the social pact, whose history and impact can hardly be overestimated if we really want to understand labor's political and ideological crisis.

The Historic Compromise between Labor and Capital

During the twentieth century, the trade union movement in Western Europe gradually developed a kind of peaceful accommodation with capitalist interests. During the 1930s, this accommodation was first institutionalized in some parts of Europe, mainly in the north, when the trade union movement reached accords with employers' organizations. After the Second World War, a similar process occurred in most of the rest of Western Europe.

This social pact between labor and capital formed the basis on which the welfare state was developed and wages and working conditions were gradually improved. From a period characterized by confrontations between labor and capital, societies entered a phase of social peace, bipartite and tripartite (labor, employers, and the state) negotiations, and consensus policies. Because it led to important achievements in terms of welfare, wages, and working conditions, this policy gained massive support from the working class. As a consequence, the more radical and anticapitalist parts of the labor movement were gradually marginalized. Thus, this development led to the depoliticization and deradicalization of the labor movement and the bureaucratization of the trade union movement. It became the historical role of the social democratic parties to administer this policy of class compromise. Not surprisingly, the current difficulties plaguing the unions are mirrored in the problems facing Europe's social democratic parties.

It is important to realize that this social partnership between labor and capital was a result of the actual strength of the trade unions and the labor movement. The employers and their organizations came to see that they were not able to defeat the trade unions. They had to recognize them as representatives of the workers and negotiate with them. In other words, the peaceful accommodation between labor and capital rested on a strong labor movement. Another important factor in the post-Second World War period was that capitalism experienced more than twenty years of stable and strong economic growth. This made it possible to share the dividend among labor, capital, and public welfare.

A decisive part of the social pact was the national regulation of capital and markets. Capital control was the order of the day in all countries. Settlements between labor and capital were made in an orderly and peaceful way within national borders. An important result of this was that the trade union movement became very nationally oriented. Internationalism in the trade union movement began to deteriorate into a sort of diplomacy within international bodies (like the ILO) and even into different forms of trade union tourism, with little or no connection with the immediate needs and interests of the members, even though some of the internationalist political rhetoric remained in place.

Socialist rhetoric notwithstanding, for the trade union movement the social pact meant the acceptance of the capitalist organization of production, the private ownership of the means of production, and the employers' right to lead the labor process. In exchange for gains in welfare and working conditions, the trade union confederations guaranteed industrial peace and restraint in wage negotiations. Put simply, the welfare state and gradually improved living conditions were what the labor movement gained in exchange for giving up its socialist project. Today we can conclude that it was a short-term achievement in a very specific historical context, one which helped greatly to depoliticize and deradicalize the working class.

An important feature of this context was the existence of a competing economic system in the Soviet Union and Eastern Europe. As the British historian Eric Hobsbawm pointed out, this was instrumental in making the capitalists in the West accept a compromise.¹ It was on the basis of this compromise that the most important welfare reforms and institutions were developed during the three decades after the Second World War. The radicalized labor movement which came out of the economic and social crisis of the 1930s and the war was, in other words, met by a conscious strategy by its capitalist counterparts. They voluntarily entered into social pacts and gave in to many of labor's social and economic demands in order to win time and dampen socialist sentiments in the labor movement. Seen from today's vantage point, we can say that this corporate strategy was quite successful.

A sharp division of work within the labor movement was a noticeable side-effect of the class compromise. The conditions for the buying and selling of labor were regulated by the trade union movement through negotiations, while social security for the unemployed was handled by the social democratic parties in parliament. This laid the foundation for a more narrowly

economistic development of the trade union movement, something which weakens trade unions today, as social democratic parties have shrunk from even their former reformist politics.

The Ideology of the Social Pact

During the era of the social pact, this corporate strategy seemed to have blinded the labor movement. Based on the real experience of twenty years of continuous improvements in living and working conditions, the common understanding was that a way had been found for society to bring social progress and a relatively fair distribution of wealth to ordinary people without having to endure class struggle and social confrontations. It was thought that capitalist society had reached a higher level of civilization. Through gradual reforms, the labor movement had increased democratic control of the economy. A crisis-free capitalism had become a reality. There would be no more economic crises like that of the 1930s, no more mass unemployment, no more social distress, and no more misery among people. All social trends pointed upwards. For a great many in the labor movement, this was the reformist road to socialism—and everyone could see that it worked!

These real social achievements formed the material basis for an ideology of social partnership which remains deeply rooted in European trade union bureaucracy. Personally, I heard this ideology openly expressed for the first time when I took part in basic trade union training at the education center of the Norwegian Confederation of Trade Unions early in the 1980s. There I learned that the first third of the twentieth century was characterized by intense conflict between labor and capital—including general strikes, lockouts, and the use of police and military forces against organized workers on strike. This was a destructive period, which in the end (the 1930s) had brought the working class nowhere. It was only when this confrontational policy was abandoned, when the trade union movement started to take full social responsibility, that real progress was achieved—in the form of better working conditions, better wages, and welfare reforms. In other words, confrontations with the employers are destructive; peaceful social dialogue is the way forward. This was the lesson that was taught at the trade union educational center as late as the beginning of the 1980s.

The above analysis was wrong then, and it is wrong today. However, the consequences of this error have become more dangerous for the trade union movement as the social pact has broken down. What this analysis obscures is that the great achievements in terms of welfare and working conditions, during the period of class compromise after the Second World War, were

the fruits of the previous conflict. Progress was made only because the working class had shifted the balance of power between labor and capital through confrontations and hard class struggle during the first part of the twentieth century (including the Russian Revolution). In other words, it was the confrontational struggles of the previous period which made possible the gains later realized through peaceful negotiations.

The Breakdown of the Social Pact

The class compromise, however, was a fragile construction, since its survival depended upon a stable capitalist economy with a high rate of growth. The compromise was gradually eroded with the onset of deep economic crises in western capitalism in the early 1970s. The crises spurred capitalist forces to take the offensive—among other things to reduce costs—attacking trade union rights, wages, and public expenditures they undermined the very bases of the welfare state.

The deradicalized and depoliticized trade union and labor movements were taken by surprise by this development. The employers suddenly became much more hostile at the negotiating table. Negotiations, which had previously been mainly about improvements of wages and working conditions, now began to involve attacks on previous achievements and existing regulations. As most of the trade union leadership had been steeped in the environment of class compromise and social peace, it was not prepared for these attacks. Within the framework of the ideology of the social pact, the neoliberal offensive was simply incomprehensible. The trade union bureaucracy remained passive, and the trade union movement was forced on the defensive. In many countries, many workers left their trade unions altogether, as the unions proved powerless to protect their interests.

Thus, the 1980s represented an enormous setback for the trade union movement, something which can be seen in the statistics on the level of unionization (organization of the workforce) in some important West European countries (see table 1).

The few trade unions that tried to take action against the neoliberal attacks, as did the British mineworkers, were defeated. In the British case, one reason for defeat was that the bureaucracy of the trade union confederation (TUC) considered militant industrial action to be a bigger threat to the consensus policy of the social pact than the furious attacks from the mining companies and the Thatcherite regime. Many years later, the TUC admitted that it had been wrong not to support the miners' strike, but by then the

damage had been done. And remarkably, the TUC has not altered its support for the social pact.

Table 1: Organized Workers as a Percentage of the Workforce

	1985	1995
France	15	9
Italy	48	44 (1994)
Great Britain	59 (1979)	31
Spain	27 (1980)	19 (1994)
Germany (West)	35	29 (1993)

Source: A. Wahl, et. al, "På tide å lære fransk": Strategi for motsand," in F. Gustavsen & M. Thorkildsen eds., *Markedets vidunderlige verden* (Oslo: John Griegs Forlag, 1998).

With the breakdown of the command economies of Eastern Europe around 1990, the only alternative to western capitalism disappeared. Capitalism had triumphed on all fronts, and for employers the compromise with labor was no longer necessary. Now capitalist forces could pursue their narrow economic and political interests with fewer inhibitions. This is why the class compromise (or the consensus model) has broken or is breaking down all over Western Europe. The historical and economic preconditions for such a compromise are no longer there, and the most important product of this compromise, the welfare state, is under increasing pressure.

This analysis of power relations is not understood by the dominant wing of today's trade union leadership. When the neoliberal offensive began some twenty years ago and the employers gradually broke with the policy of social partnership, the only answer most of the trade union bureaucracy could formulate was to continue its consensus policy. Some trade unions have almost been begging hostile employers for a return to the social pact. This policy has been fuelled by the strong national orientation of the trade union movement. Rather than reorienting themselves towards confronting the now more aggressive capital interests, the narrow national orientation and the social partnership ideology of the unions have led much of the trade union movement into an alliance with, and consequently a subordination to, "national" capital's struggle to be internationally competitive. In Germany, the term "Standort Wettbewerb" is used to mean not only union alliances with German companies but support for the German state in Germany's competition with other nations.

Great parts of the trade union movement have been drawn deeper into business unionism and legal formalism rather than shifting

towards a strategy based on class analysis and an assessment of the balance of power. The German trade union movement's struggle for "unity for work" during the middle of the 1990s is one good example of this policy of national alliance with the employers. This was a proposal for a formal renewal of the social pact. It was made by the German Confederation of Trade Unions and offered to accept poorer working conditions in exchange for job security. It was rebuffed by the employers. In the same way, the relatively narrowly focused struggle for minimum labor standards in the WTO, which leaders of the international trade union movement have been pursuing over the last ten years, is an excellent example of the legal formalism which has developed without an analysis of the balance of power between labor and capital.

The trade union bureaucrats, both at the national and at the international level, continue to see themselves as mediators between labor and capital. Today, when capitalist forces are on the offensive and have provoked the development of an international popular justice and solidarity movement which opposes the current corporate globalization, the international trade union movement is eager to define itself as a mediating force between this movement and corporate interests. This was openly expressed when the third World Social Forum (WSF) was held in Porto Alegre, Brazil in January 2003—in parallel with the World Economic Forum (WEF) of the political and economic elites in Davos, Switzerland. The international trade union movement then issued a statement, "Democratizing Globalization: Trade Union Statement to 2003 WSF and WEF," which was signed by all the important international trade union bodies.² Among other things it stated that:

The international trade union movement has a common message to Porto Alegre and to Davos. Vision, political will and the necessary capacities must be brought together at the global level to attain development and guarantee decent work for the millions of workers who today live in precariousness and poverty without prospects of a better future. That will require resource commitments as well as commitments on paper. It will require governance systems to promote our common good, our rights and democracy. It requires effective democratic processes, and it requires dialogue to make it happen. We will press the WEF to address the need to globalise social justice. At the same time, we will contribute in the WSF to finding constructive approaches to democratising globalisation in the interests of all working people.³

Most of the international trade union organizations do not, in other words, consider themselves to belong to the new movement against corporate globalization.⁴ They consider this new movement to be too politically radical. The International Confederation of Free

Trade Unions (ICFTU) or the Global Unions, therefore, do not join forces with the rest of the movements when they go to the World Social Forum—they hold their own conferences and meetings on the fringe of the forums. At the same time, they send equally high-ranking delegations to the World Economic Forum. “We have always achieved most through dialogue,” is the constantly recurring refrain.

Policies Independent of Power Relations

The complete lack of analysis of power relations and the preconditions for trade union strategies is also apparent in the educational work being done internationally by the trade unions. A number of West European trade unions and confederations are running training programs in the form of solidarity projects with sister unions in Eastern Europe as well as in developing countries. In these educational projects, western unions are disseminating what they consider to be their own great success—the social pact. They are trying to convince the trade union movement in the rest of the world of the advantages of pursuing a social partnership model. Given current power relations, this kind of education is counterproductive to the trade unions in Eastern Europe and the developing world, which are under attack from aggressive, confrontational employers.

It is important to notice that all of the developments described above have affected trade unions in the manufacturing industries more strongly than those in the public sector and in parts of the transport industry. This has been because manufacturing is more strongly and directly exposed to international competition. Thus the setback of the trade unions and the political and ideological shift to the right have been more prevalent in manufacturing than in any other part of the movement.

The disastrous continuation of a policy of social partnership, in a situation in which the economic and social basis for this partnership is fading away, is today being pursued by most of the European trade union bureaucracy—in particular the European Trade Union Confederation (ETUC). Thus, over the last few years, we have seen growing activities in the form of consultations, negotiations, lobbying, and so-called social dialogue between the assumed social partners in the labor market. The result so far has been a strengthened bureaucratic development in the European trade union movement. The social dialogue, or “negotiations at the EU level,” as it is wrongly being characterized by some, is an exercise which does not include the right to take industrial action. It is easy to understand, then, why the results have been so meager.

At the international level, the ICFTU is the strongest advocate

for the policy of social partnership, very clearly expressed in a statement in which it commented on the United Nations Global Compact. Among other things, it boasts of having issued a joint statement with the UN, using some of the same key language as in a corresponding joint statement between the UN and the International Chamber of Commerce, namely:

It was agreed that global markets required global rules. The aim should be to enable the benefits of globalisation increasingly to spread to all people by building an effective framework of multilateral rules for a world economy that is being transformed by the globalisation of markets....The meeting agreed that the Global Compact should contribute to this process by helping to build social partnerships of business and labor.⁵

At the company level, European Works Councils have become the bureaucratic answer. These councils of workers' representatives in transnational companies afford the workers no real influence, although they can be useful for gathering information and making trade union contacts. The councils have less influence than similar institutions that developed in the Nordic countries and in Germany during the postwar period, although even these have lost real influence in these countries as market forces have gained ground.

In Europe, this policy of powerless social dialogue is bringing the trade union movement into a deadlock. A trade union policy based on the mobilization of their members to confront and fight the attacks from the employers is almost nonexistent at the EU level, even though we have seen tendencies in this direction at the national level (in France in 1995 and in Italy in 2002).

The depressing result of these policies has been the acceptance by the dominant part of the trade union movement of a step-by-step reduction in welfare and working conditions. Through negotiations, trade unions have gradually accepted an increasing "flexibilization" of work. In different European countries we have seen retrenchments in welfare provisions such as reduced sick pay and pensions, cuts in unemployment benefits, higher use fees in public education, nursery schools, and health and social services, and the abolition of nonprofit housing projects. Working conditions have worsened through the undermining of labor laws and agreements, including the weakening of working hours regulations, the reduction of overtime pay, the reintroduction of shift work in many industries, reduced job security, more temporary short contract jobs, more use of contract and leased workers, and more decentralized bargaining. One important effect of this development has been the demoralization of workers and a reduction in trade union membership, as the trade unions fail to protect their members. The

growth of right-wing populist parties is probably the most dangerous result of this trade union policy of indulgence.

Strategic Considerations

So what can the trade union movement do in order to confront the global corporate offensive? One thing is clear, radical rhetoric is not sufficient, even if it is common at international meetings. Experiences from the first European Social Forum in Florence, Italy in November 2002 can serve as an example. There we heard at least two types of trade union positions. One came from very militant, small, nonrepresentative groups. Another type was made by representatives from mainstream European trade unions. For example, a representative from a German union, IG Metall, wanted to open the struggle for the thirty-hour week. He did not mention, however, that the same union negotiated an agreement with Volkswagen only a year before which undermined existing wages and working conditions to induce the company to open a new factory in Germany rather than in a low-cost Eastern European country. None of these trade union representatives addressed the real problems of the trade union movement in Europe today. It is necessary to do that as a basis for developing a viable trade union strategy.

The first thing necessary is to realize that the confrontational policies of the multinational companies and other capital interests have to be met head-on by the trade unions. There are disagreements and contradictions on this position in the trade union movement—at the national and local as well as at the international level. Those in the trade unions who want to revitalize their organizations will therefore have to build new alliances based on the best parts of the movement. Even if there are many exceptions, these labor organizations are mainly to be found in the public sector, in transport, in some of the private service sectors, and in a number of local branches across the trade union movement.

To confront transnational corporations, it is necessary to build networks and encourage cooperation between workers in the same industries across both national and company borders. The development of international, class-based solidarity will have to break with the tendency of business unionism which favors “our” company over “theirs.” This is a tendency which has a stronger tradition in the U.S. trade union movement than in Europe, but it has been strengthened also in Europe over the last twenty years, as depoliticized and deradicalized trade unions have joined forces with “their” employers to protect jobs at the national level—in competition with companies in other countries. This narrow

misguided strategy must be replaced by a joint class-based struggle in which democratic control of production and distribution is taken to the fore.

Another important struggle around which a new internationalist trade union alliance will have to be built is the struggle against the ongoing corporate takeover of public services. This means fighting privatization and defending the achievements which were won through the welfare state. The corporate takeover of these parts of society represents a very important element of the shift in the balance of power between labor and capital in our societies.

Another important part of a progressive trade union strategy is to challenge the dominant thinking of the trade union bureaucracy—the ideology of social partnership and the peaceful accommodation between labor and capital. We will have to have difficult but friendly internal discussions on this particular subject within our movement. These discussions should be based on the understanding that the policy of social partnership is not the result of conspiracies or treachery, but the result of a specific historical development. We need new analyses, which can explain to people how the historical compromise between labor and capital was realized and why it has broken down. People's discontent with current developments has to be taken seriously; their anxiety and dissatisfaction should be politicized and channeled into trade union and political class-based struggles for their working and living conditions. That is the only way to prevent these people from being mobilized by right-wing, populist parties.

We should focus on welfare and working conditions, on the brutalization of work which is taking place as a growing part of the economy is exposed to market competition, and on the reduction of workers' influence over their working day and their control of the work process.

It is important to realize that this also has a lot to do with people's self-confidence. Workers' dignity is systematically being attacked—in the work places, in the media, in the general public debate, and in the social and cultural climate of a society dominated by bourgeois thinking and values and neoliberal policies. This can be changed only by reclaiming the notions of productive labor, class relationship, and class identity. It cannot, however, be imposed upon the working class from outside. It has to be developed as a part of, and during, the social struggle.

Finally, we must build alliances with the new global movement against neoliberalism—for democracy, global justice, and solidarity. This global movement of movements is currently more politically radical and system-critical than the trade union and the labor

movements, even though its knowledge of class relations is rather poor. The trade union movement needs the radicalism and the militancy of this popular movement in order to break with their illusions of class compromise. If this alliance is developed constructively and correctly, the two movements could reinforce each other and bring the struggle to a higher level.

The social pact was never a defined aim of the labor movement; it was the result of a specific historical development. It was made possible only as a result of an enormous shift in the balance of power between labor and capital. The combination of the Russian Revolution, a strong labor and trade union movement in the west, strong liberation movements in the third world, and a long period of stable economic growth in the capitalist economy after the Second World War were the very specific preconditions that made it possible for a relatively stable period of class compromise. To aim at a new class compromise, a new social pact, under the current much less favorable power conditions is illusory.

Our aim, therefore, must be to go beyond the social pact and the welfare state. Only a transformation of society which is deep enough to remove the material preconditions for a restoration of neoliberal policies can safeguard the interest of working people. Nothing less than socialism can provide that.

Notes

1. Eric Hobsbawm, *Age of Extremes: The Short Twentieth Century 1914-1991* (London: Penguin, 1994).
2. These included the International Confederation of Free Trade Unions, the Global Union Federations, the Trade Union Advisory Committee to the OECD, the World Confederation of Labor, and the European Trade Union Confederation.
3. See www.icftu.orgdisplaydocument.asp?Index=991216994&Language=EN.
4. There are exceptions. In particular, the Public Services International, the international umbrella organization of national public sector trade unions, has played an important role in the World Social Forum movement, in particular through the WTO/world trade-focused Our World Is Not For Sale network (www.ourworldisnotforsale.org). An increasing number of national trade unions and local branches are also gradually involving themselves more strongly with the new global justice and solidarity movement.
5. "ICFTU Statement on the Global Compact," www.icftu.org.

Why Lift the Embargo?

RÉMY HERRERA

We publish the following document because it provides useful information and background on the four-decades-long economic blockade against Cuba, its pernicious effects, and its place in U.S. global policy. It was originally presented to the United Nations Commission on Human Rights at the meeting of its Sub-Commission on the Promotion and Protection of Human Rights, fifty-fifth session, held in Geneva, July 28– August 15, 2003. It was written for CETIM, the Europe-Third World Center by Rémy Herrera, an economist and researcher at the CNRS, National Center of Scientific Research (UMR 8595 Matisse), University of Paris 1 Panthéon-Sorbonne, France. He is the editor of Cuba révolutionnaire (Paris: L'Harmattan, 2003).—The Editors of Monthly Review

The U.S. embargo against Cuba has been condemned by a growing number, by now an overwhelming majority, of member states of the United Nations General Assembly. However, it remains in force by the U.S. government's isolated but stubborn will, in spite of repeated UN injunctions, notably its resolution 56/9 of November 27, 2001. The purpose of this exposé is to denounce this embargo in the strongest terms as a violation of law, and for its total lack of legitimacy. These measures of arbitrary constraint are tantamount to an undeclared act of war by the United States against Cuba; their devastating economic and social effects deny the Cuban people the ability to exercise their basic human rights and are unbearable for them. They directly subject the people to extreme suffering and infringe upon the physical and moral integrity of the whole population, inflicting the greatest harm on children, the elderly, and women. In this respect, the embargo can be seen as a *crime against humanity*.

Imposed since 1962, the U.S. embargo was reinforced in October 1992 by the "Cuban Democracy Act" (or Torricelli Law), which aimed to restrain the development of the Cuban economy's new driving forces by restricting the inflow of funds and goods to Cuba by: (1) strictly limiting the transfers of foreign currencies by Cuban families in exile; (2) banning from U.S. harbors for six months all ships that had anchored in a Cuban port; and (3) imposing sanctions against firms doing commerce with the island even if under the jurisdiction of a third state.

The embargo was further systematized by the “Cuban Liberty and Democracy Solidarity Act” (Helms-Burton Law) of March 1996, which aimed to harden the “international” sanctions against Cuba. Its Title I generalizes the ban on importing Cuban goods, demanding, for example, that exporters give proof that no Cuban sugar has been integrated in their products, as was already the case with nickel. It conditions the authorization of currency transfers to the creation on the island of a private sector including employment of salaried staff. Still more ambitious, Title II defines the form of a transition to a “post-Castro” power, and specifies the nature of its relationship with the United States. Title III grants U.S. tribunals the right to judge claims for damages made by a person of U.S. nationality injured by the loss of property in Cuba due to nationalization, and to demand compensation from the users or beneficiaries of this property. At the request of the old owners, nationals of a third state, who have done business with these users or beneficiaries, can be sued in the United States. The sanctions incurred are set out in Title IV, which permits, among other things, the State Department to refuse U.S. entrance visas to the current owners.

Table 1: U.N. General Assembly Votes on Lifting the Blockade

	For	Against	Countries Voting Against
1992	59	2	United States, Israel
1993	88	4	United States, Israel, Albania, Paraguay
1994	101	2	United States, Israel
1995	117	3	United States, Israel, Uzbekistan
1996	138	3	United States, Israel, Uzbekistan
1997	143	3	United States, Israel, Uzbekistan
1998	157	2	United States, Israel
1999	155	2	United States, Israel
2000	167	3	United States, Israel, Marshall Islands
2001	167	3	United States, Israel, Marshall Islands
2002	173	3	United States, Israel, Marshall Islands
2003*	179	3	United States, Israel, Marshall Islands

* Note: In 2003, Morocco and Micronesia abstained from voting.

The normative content of this embargo—especially the *extraterritoriality* of its rules, which seek to impose on the international community unilateral sanctions by the United States, or the denial of the right of nationalization—is a violation of the spirit and letter of the United Nations Charter and the Organization of American States, as well as of the very fundamentals of

international law. This excessive extension of the territorial jurisdiction of the United States is contrary to the principle of national sovereignty and to that of nonintervention in the internal choices of foreign states—as recognized in the jurisprudence of the International Court of Justice. The embargo opposes the Cuban people's rights to self-determination and to development. It also forcefully contradicts the freedom of trade, navigation, and movement of capital—all of which the United States paradoxically advocates everywhere else in the world. This embargo is moreover illegitimate and immoral because it attacks the social benefits realized by Cuba in recent years and imperils their success—as recognized by many independent international observers (in particular those of the WHO, UNESCO, UNICEF, and many other non-governmental organizations). These successes include the public systems of education, research, health, and culture. Furthermore, the threat that this coercive operation poses for U.S. nationals and foreigners extends the practical impact of the embargo to areas completely or partially excluded from the statutes, such as food, medicines or medical equipment, and the exchange of scientific information.

Economic Harms of the Embargo

According to *Cuba's Report to the United Nations Secretary-General on the U.N.'s General Assembly Resolution 56/9* (2002), the direct economic damages to Cuba's economy, caused by the U.S. embargo since its institution, would exceed seventy billion dollars. The damages include: (1) the loss of earnings due to the obstacles to the development of services and export (tourism, air transport, sugar, and nickel); (2) losses registered as a result of the geographic reorientation of the commercial flows (additional costs of freight, stocking, marketing, and purchasing of the commodities); (3) the limits imposed on the growth of the national production of goods and services (due to limited access to technologies, lack of access to spare parts and hence early retirement of equipment, forced restructuring of firms, and serious difficulties sustained by the sectors of sugar, electricity, transportation, and agriculture); (4) monetary and financial restrictions (the impossibility of renegotiating the external debt, interdiction of access to the U.S. dollar, unfavorable impact of the variation of exchange rates on trade, risk-country rating, and additional costs of financing due to U.S. opposition to the integration of Cuba into the international financial institutions); (5) the pernicious effects of the incentive to emigration, including illegal emigration (the loss of human resources and talents generated by the Cuban educational system); and

(6) social damages affecting the population (concerning food, health, education, culture, and sports).

In addition to negatively affecting all these sectors, the embargo directly impedes—aside from export—the driving forces of the Cuban economic recovery, the strongest of which are tourism, foreign direct investment (FDI), and currency transfers.

Many European subsidiaries of U.S. firms have recently broken off negotiations for the management of hotels because their lawyers anticipated that the contracts would be sanctioned under the provisions of the Helms-Burton law. In addition, the purchase by U.S. groups of European cruise lines, which moored their vessels in Cuba, was cancelled in 2002-2003. The obstacles imposed by the United States, in violation of the Chicago Convention on International Civil Aviation, to the sale or rental of planes, and to access to kerosene and new technologies (such as e-reservations and radio location), will lead to a loss of \$150 million in 2003.

The impact on FDI is also very unfavorable. The institutes that promote FDI in Cuba received proposals for more than five hundred projects in cooperation with U.S. companies, but none of them could be realized—not even in the pharmaceutical and biotechnological industry, where Cuba has a very attractive potential.

Transfers of currency from the United States are limited to less than us\$100 a month per family, and some European banks have had to reduce their commitments under pressure from the United States, which let them know that indemnities would be required if loans were maintained. In Cuba, the embargo penalizes the activities of a range of sectors throughout the economy: banking and finance, insurance, petroleum, chemical products, construction, infrastructures and transportation, shipyards, agriculture and fishing, electronics and computing, as well as the export sectors where U.S. owned enterprises prevailed before 1959, such as sugar, whose recovery is impeded by its exclusion from the international commodities exchange in New York.

Social Harms of the Embargo

The U.S. government's announcements intimating that it would favor the relaxation of the restrictions concerning foodstuffs and medicines are not credible and cannot obscure the fact that Cuba has been the victim of a *de facto* embargo in these areas. The reduction of the availability of these types of goods exacerbates the privation of the population and constantly threatens its dietary security, its nutritional stability, and its health. A humanitarian tragedy—which seems to be the implicit objective of the embargo—

has been avoided only thanks to the will of the Cuban state to maintain at all costs the pillars of its social model, which guarantees to everyone, among other things, staple foods at modest prices and the free provision of food in nurseries, schools, hospitals, and homes for the elderly. This reaffirms the priority given by the authorities to human development, which explains the excellence of Cuba's statistical indicators concerning health, education, research, and culture, and this despite the extremely limited budgets and the numerous problems resulting from the disappearance of the Soviet bloc. However, the continuation of the social progress in Cuba is impaired by the *effective* extension of the embargo.

According to the American Association of World Health, the pressures exerted by the U.S. State and Commerce Departments on the suppliers of Cuba have affected the availability of a wide range of goods necessary for healthcare (including medicines destined for pregnant women, laboratory products, radiology equipment, operating tables and surgical equipment, anesthetics, defibrillators, artificial breathing apparatuses, dialysis apparatuses, and pharmaceutical stocks) and went as far as to prevent the free supply of food for newborns and equipment for pediatric intensive care units. Cuba's capacity to produce vaccines it has developed is hampered by the frequent lack of spare parts and essential components that have to be imported, as well as scarce water treatment centers. This embargo inflicts an unjustified suffering on the Cuban people. The resulting shortages of many medicines not produced in Cuba complicate the immediate and complete implementation of treatment protocols for breast cancer, leukemia, cardiovascular and kidney diseases, as well as treatment of HIV. Moreover, the U.S. authority's infringements on individual freedom of movement and scientific knowledge—restrictions on travel of U.S. researchers, the disregard of bilateral agreements on Cuban researcher's visas, refusals to grant software licenses or to satisfy the orders from Cuban libraries for books, journals, or electronic media of specialized scientific literature—have in fact extended the embargo to areas formally excluded from it by law. One of the most potentially fruitful opportunities to develop humanitarian cooperation as a basis of solidarity between nations is therefore blocked.

The embargo also contradicts the principles of the promotion and protection of human rights, which the people of the United States desire for themselves and for the rest of the world.

For all these reasons, this unacceptable embargo has to cease immediately.

She Challenged the Rules

BERNARDINE DOHRN

Barbara Ransby, *Ella Baker and the Black Freedom Movement: A Radical Democratic Vision* (Chapel Hill & London: University of North Carolina Press, 2003) 470 pages, cloth \$34.95.

Ella Baker was known and revered by a generation of Southern civil rights organizers. Her name is virtually unrecognized by political activists today. Yet she persisted as a Southern African-American woman in male-dominated national organizations, working as an organizer/educator for five decades to help transform the poisonous U.S. landscape of white supremacy. She was a founding mentor of the Student Nonviolent Coordinating Committee (SNCC) who nurtured a radical democratic practice: that the black sharecroppers and most oppressed rural poor could resist oppression, challenge power, and speak for themselves. Leadership for the black community must emerge, she insisted, from the courage, experiences, suffering, and understanding of ordinary, often illiterate, people in the Mississippi Delta, in Lowndes County, Alabama, and in Albany, Georgia. Students might spark the flame: the Freedom Rides, the voter registration drives, and Mississippi Summer were staffed with young volunteers, but Baker taught them to learn from—and be transformed by—grassroots leaders and to respect their wisdom in a dynamic, group-centered manner. Never fixed or finished, she remained a work in progress; she encouraged a spirit of radical, democratic humanism that influenced the black freedom movement, labor, the women's movement, the student antiwar movement, GIs and veterans, prison and solidarity work, and community organizing for decades to come.

Barbara Ransby, professor at the University of Illinois at Chicago and herself a widely regarded and unifying radical activist, has written a profoundly brilliant and critical book that must be carried in backpacks, read and digested. It will lead to the deepest

Bernardine Dohrn, activist, academic, and child advocate, is director of the Children and Family Justice Center and clinical associate professor of law in Chicago.

This article first appeared in the fall 2003 *Heartland Journal* (subscriptions \$16; 7000 N. Glenwood, Chicago, IL, 60626; editorial: koyangmi@aol.com).

reconsiderations of the methods and purposes of social justice. Ransby, through Baker, articulates a politics that places activists among the dispossessed with humility and deference. She illuminates the dynamic between organizers and the community, revealing just how much organizers stand to learn if only they can observe the "democratic silences." She synthesizes content and process. *She challenges hierarchies.* She redefines intellectual, ideology, leadership, and internationalist—with a gendered and grassroots cast.

This is no puff portrait, however. Ransby must deal with Baker's participation in the NAACP's shameful embrace of anticommunism in 1957 as a member of their Internal Security Committee. She moderates and gracefully demurs from Baker's unsparing critique of Dr. Martin Luther King. She analyzes Baker's run for New York City Council on the Liberal Party ticket in 1951 and 1953 as part of a campaign for quality integrated schools and against police brutality—but positioned amidst virulent anticommunists and noncommunists.

This is a ride through multiple dimensions of an independent radical life; Baker was New York NAACP branch president and then national director of branches, working from the national office; Southern Christian Leadership Conference (SCLC) interim director in 1958-1959; and SNCC's coordinator 1960-1965. She knew and worked closely with the most prominent African-American men of the century: W. E. B. Du Bois, Thurgood Marshall, George Schuyler, Walter White, A. Philip Randolph, Martin Luther King, James Forman, Stokely Carmichael and Robert Moses—most often as the "outsider within." Her friendships with women included Dorothy Height, Nannie Helen Burroughs, Pauli Murray, Mary McLeod Bethune, Septima Clark, Fannie Lou Hamer, and white radicals Anne Braden and Annie Stein. Baker worked in the 1970s with the Puerto Rican Solidarity Movement, and continued to nurture young activists. She inspired a younger generation of black feminists, without herself articulating gender politics. In fact, few who worked closely with Baker ever knew of her unusual marriage, nor anything of her personal or intimate life.

"One of the major emphases of SNCC...was that of working with indigenous people, not working for them, but trying to develop their capacity for leadership," she wrote in 1967. This is an unforgettable case study of radical democratic humanism, an insurgent life of activism as teaching, and a method of fully living a life of struggle that purposefully links practical organizing with the great goals of social justice and human possibility.

The following excerpt provides a glimpse of her determination to

nurture the capacity for leadership in new activists:

The atmosphere on Shaw's campus that weekend (April 1960) was electric. The discussions were lively, and the mood was optimistic. For many of the students, it was not until the gathering in Raleigh that they fully appreciated the national significance of their local activities. They felt honored by the presence of Dr. King, whom they had watched on television or read about in the black and mainstream press. He was a hero for most black people in 1960, and his presence gave the neophyte activists a clear sense of their own contribution to the growing civil rights movement. Baker was content to use King's celebrity to attract young people to the meeting, but she was determined that they take away something more substantial. Most of the student activists had never heard of Ella Baker before they arrived. Yet she, more than King, became the decisive force in their collective political future...It was radical youth Baker was concerned with. She wanted to preserve the brazen fighting spirit the students had exhibited in their sit-in protests. She did not want them to be shackled by the bureaucracy of existing organizations....

Another move Baker made that influenced the climate of the Raleigh meeting was to limit media access to the proceedings. In closed-door strategy sessions, the young people were able to express their views and expectations candidly, without the intrusive presence of reporters. Some of the students had already been captivated by the publicity their actions had garnered, and Baker did not want to encourage any grandstanding or speech making. "...You see, I've never had any special inclination to being publicized and I also knew that you could not organize in the public press. You might get a lot of lineage, but you really couldn't organize...."

Baker was one of several keynote speakers at the Raleigh conference, and the only woman to address a plenary session. When her opportunity came to speak, she urged the students to see their mission as extending beyond the immediate demand to end segregation....Baker gave the students a sense of the importance of their actions. The sit-in movement was part of a worldwide struggle against many forms of injustice and oppression, she insisted. Baker encouraged her participants to see themselves—not their parents, teachers, ministers, or recognized race leaders—as the main catalysts for change. She was trying to pull the student activists beyond the confines of the South and the nation to grapple with, and connect to, a large and complex political world... (pp. 241-246).

Ralph Miliband

A Public Intellectual

RICHARD KUPER

Michael Newman, *Ralph Miliband and the Politics of the New Left* (London: Merlin Press, & New York: Monthly Review Press, 2002) 368 pages, paper \$24.95.

Ralph Miliband (1924–1994) was an independent Marxist, writer, lecturer, and tireless campaigner for socialism. He earned a worldwide reputation for his work on the state in capitalist society and devoted much of his life to trying to get the left to take the politics, as opposed to the economics, of capitalism seriously. Committed and indefatigable, Miliband made a unique contribution to the left in Britain and had a significant influence on socialist debates in North America and elsewhere. He combined a passion for democratic socialism with a mental rigor, commitment to hard intellectual work, and an unwillingness to shirk difficult questions. As a public intellectual his life was exemplary.

The first of two children of Polish Jewish parents, Miliband grew up in the working-class Jewish community in Saint-Gilles in Brussels. Forced to flee with his father to London in May 1940 just before the Nazi invasion, Miliband was separated from his mother and sister throughout the war—and not permanently reunited until 1950. From the age of sixteen Ralph expressed a real anger about class divisions in society, something he never relinquished. He completed his schooling in England, learning English in the process, and went from the London School of Economics (LSE), to the navy, then back to the LSE to complete his degree and embark on a doctorate. While working on this he obtained a full-time post at the LSE where he was to remain until he took up a chair at Leeds in 1972. In 1977 he began teaching in the United States. From then until the nineties he would spend a semester a year in the United States or Canada—chiefly at Brandeis, York University in Toronto,

Richard Kuper is a campaigner for ecosocialist alternatives. He has been, variously and in combinations, a college and university lecturer, socialist publisher, editor, organic farmer, trade-union militant, organizer and agitator. His translation and adaptation, *Food for Thought: Towards a Future for Farming*, for the French radical farmers' union Confédération Paysanne, has just been published by Pluto Press.

or the City University of New York—and the rest of his time back in London writing and being politically active. His marriage to Marion Kozack in 1961 was the beginning of a deep personal and political partnership and, although it sounds pious, it is absolutely true to say that Ralph was devoted to Marion and doted on their two children, David and Edward.

His first major work, *Parliamentary Socialism*, appeared in 1961, followed by *The State in Capitalist Society*, in 1969. These books established his reputation as a major contributor to independent left thinking, and they, together with a widely publicized, extended debate with Nicos Poulantzas, on the nature of the state in the early seventies, brought him international recognition. In 1977 he published *Marxism and Politics* and then some others, none of which, it is fair to say, had quite the resonance of the earlier books. In 1964, Miliband and John Saville founded the annual *Socialist Register*. The *Register* was conceived of and produced as “part of a political mission,” an ongoing contribution to critical debate on the left in which Miliband published some formidable essays of his own (p. 121). Miliband and Saville coedited the journal for more than two decades. Toward the end of his life, Miliband coedited the *Register* with his former student and colleague Leo Panitch.

All of this is carefully chronicled and analyzed in Michael Newman’s magnificent political biography. Because Ralph Miliband’s interests and activities took in every major political development in Britain during his adult life, we also have here an overview of the development of significant sections of the independent left in Britain from the fifties until the early nineties.

Miliband’s work is that of an independent, undogmatic Marxist. While his evaluations shifted and changed in light of evidence and experience, his work has nonetheless an essential unity.

I would single out two themes as central to his work. First, foremost, and ever-recurrent was the question of agency. How was socialism to be brought about? The second central theme was the importance of civic freedoms. At the same time Miliband’s approach was colored—positively—by the fact that he made no firm distinction between his academic and his political work. In both he deployed the same style of argument: a cautious, measured, reflective tone, occasionally suffused with ringing passion, that tried to engage with contrary ideas at their strongest in order to strengthen the force of his own responses.

On the first theme, the question of agency, Miliband never really wavered. Some kind of party was needed to spearhead the transition. But what kind of party? *Parliamentary Socialism* offered a devastating critique of the British Labour Party. Founded in 1900 by the trade

unions to ensure that labor had independent political representation, the Labour Party appeared to provide a home for egalitarian socialists wanting to transform capitalist society. Miliband showed it to be dogmatically committed not to socialism and class politics, but to the parliamentary system. However more promising the Labour Party might have appeared as an instrument for radical change than, say, the U.S. Democratic Party, it was a dead end. Even so, it took Miliband a decade to follow this logic to its inevitable conclusion and to call explicitly for a *new* independent socialist formation.

In one form or another, all of Miliband's political work reflected this priority. But what characterized his approach was a recognition that the Labour Party attracted real radicals and they should not be written off. The aim of one initiative after another in which Miliband was involved was to bring together independent socialists from inside *and* outside the Labour Party, in joint work but in something short of a party, to develop a shared culture, shared ideas, and shared ways of working. Miliband played an important part in the debates and conflicts over how such formations (for example, the Socialist Society and the Socialist Conferences) should develop, always stressing the need for critical distance from Labour, for a class (as opposed to a new-social-movement) emphasis and for an orientation towards Marxism. And then he wanted more; but the independent party he so desired always remained elusive.

The second theme, which became more important for Miliband as time went on, was an increased commitment to civic freedoms as part of any prefigurative notion of what a socialist society might look like. The concern was fired by what happened at the LSE during the student "troubles" in the late sixties, a savage and despairing experience for him. He really believed in the notion of a university as a space for free debate and felt quite betrayed when the LSE, which he had regarded as at least approximating what he believed in, revealed itself to be like other schools. That is, institutions where, as Newman put it nicely, "policy would ultimately be determined by coercive power and repression" (p. 159). In 1970, with John Griffith, he threw himself into establishing and building the Council of Academic Freedom and Democracy (CAFD). These were difficult years as the "easy" cases of defending staff or students against victimization gave way to much more complex questions about whether academics, entangled in one way or another with repressive regimes or ideas, should be able to speak freely on campuses. CAFD itself was deeply divided by these cases. Miliband did not hold an absolutist position on the right to free speech and he and others were forced to reflect deeply on the

merits of each case in order to find a principled response. Newman's nuanced analysis of these issues in the chapter "Free Speech and Academic Freedom" shows just how carefully considered Miliband's contributions were.

When he produced *Marxism and Politics* in 1977 Miliband was explicit in his view of civic freedoms. These, "however inadequately and precariously, form part of bourgeois democracy, [and] are the product of centuries of unremitting popular struggles. The task of Marxist politics is to defend these freedoms; and to make possible their extension and enlargement by the removal of their class boundaries" (p. 237). Miliband held firmly to this position, later expanding it to include an interest in constitutional questions as shown in his signing the (liberal) Charter 88 declaration for constitutional reform. He believed civic freedoms, together with social ownership, would be a constitutive part of any socialist society.

One of Miliband's most important contributions, as Newman rightly points out, lay in his concentration on the political sphere. Marxists had so often regarded politics as epiphenomenal. For Miliband the relations of political power and social class were central; and not just for understanding the dynamics of capitalist society. As he put it in *Marxism and Politics*, failing to look at these questions led to "an extraordinarily complacent view of the ease with which political problems...would be resolved in post-revolutionary societies" (p. 233). Miliband's emphasis on civic freedoms was his own corrective to this.

This clarity and strength, however, could sometimes hide weaknesses. This was nowhere more clear than in his commitment to a new socialist party. Who was it for? Who was it supposed to attract? And why? Newman comments on Miliband in the mid-seventies: "Because he had believed that all the existing parties of the Left were defective he had seen a new socialist party as necessary: and because he thought it necessary he believed that it could be brought into being. But there was a curious political naiveté about all this" (p. 247). I wouldn't disagree. Fortunately for Miliband this "political naiveté" neither disabled him, nor led him to dogmatism of any kind. And anyway, it was shared by many of those Ralph worked with and was rooted in the peculiar nature of the British political system. British socialists have long been faced with a labor movement and a Labour Party which put great store on "unity" (which generally meant stilling the expression of socialist ideas because otherwise the right might desert, and then "we" would never win "power"). This was reinforced by a first-past-the-post electoral system which well-nigh squeezed out the possibility

of independent socialist representation. Because of this the question of how to orient to the Labour Party was posed and reposed. When Miliband effectively resolved the dilemma by concluding the Labour Party could never be the socialist party he believed was needed, what alternative was there but to strive for another? Other socialists were driven, time and again, to return to the Labour Party, invariably ending up feeling betrayed and disillusioned.

I think Miliband's particular problem lay elsewhere. He wanted a class party, but the nature of class was changing dramatically and its relevance contested. He approved wholeheartedly of many of the issues the new social movements—women's liberation, antiracism, environmentalism—were taking up. He even proposed the wonderful concept of "de-subordination" (the rejection of being subordinated, at work, home, or elsewhere) to capture people's widespread, diffuse, grumbling rejection of the multiple forms of oppression found under capitalism. But he could not really conceive of this leading anywhere. In his theoretical analysis he could never get beyond an abstract Marxism, in which "point of production" exploitation was the only conceivable authentic source of anticapitalist rebellion, to integrate successfully the oppressions and nonclass cleavages which so fuelled the growth of new social movements.

Despite these shortcomings, we should evaluate Ralph Miliband's contribution very highly, not just for the content of his writings, but also for his engagement, deep passion, clarity, and consistent desire for a grounded response rather than a cheap victory in the argument. He was also (though he downplayed this side of his work) a brilliant lecturer and teacher, forcing students to think for themselves, do their homework, and take ideas seriously. In England, public intellectuals are even rarer birds than in America. It was our luck that Miliband ended up here.

We are also fortunate that his life and work should have attracted Michael Newman to write his biography. Readable and informative, it is a work of great honesty which combines an evident sympathy for its subject and a clarity of exposition of his ideas with thoughtful evaluation of his perceived weaknesses and shortcomings. Anyone who wants to know not just about Ralph Miliband's work, but about the left in Britain in the second half of the twentieth century and its legacy for the future, will be amply rewarded by reading this book.

Commentary from : _____

Monthly Review
January 2004, Vol.55, No.8

Editors: PAUL M. SWEEZY, HARRY MAGDOFF,
JOHN BELLAMY FOSTER, ROBERT W. McCHESNEY,
LEO HUBERMAN (1903-1968)

Historical materialists are not prophets; they do not predict the future course of history. They are concerned rather with *the present as history*. This fundamental principle of Marxist thought is called to mind by our reencounter recently with a common misinterpretation of Lenin's *Imperialism*. In his new book, *The New Imperialism*, David Harvey writes (p. 127): "I therefore think Arendt is...correct to interpret the imperialism that emerged at the end of the nineteenth century as the 'first stage in political rule of the bourgeoisie rather than the last stage of capitalism' as Lenin depicted it." (See also Harvey's piece "The 'New' Imperialism" in the *Socialist Register*, 2004, p. 69.)

If Lenin, as Harvey contends here, had actually characterized imperialism as the "last stage" of capitalism he would have been making the kind of final pronouncement on the future that historical materialists have always sought to avoid. In fact Harvey's point regarding Lenin's work is without foundation since it is based on an early mistranslation of the title to the first edition of Lenin's famous pamphlet on imperialism. Lenin originally considered entitling this work *The Basic Characteristics of Contemporary Capitalism*. In his actual handwritten manuscript of 1916 he gave it the title *Imperialism, the Highest Stage of Capitalism*. But in publishing his pamphlet in 1917 he settled on *Imperialism, the Latest Stage of Capitalism* (following the precedent of Rudolf Hilferding who had entitled his great work *Finance Capital, the Latest Phase of Capitalist Development*). This is still the title given in Russian on every Library of Congress entry for Lenin's book.

An early English-language mistranslation, appearing in a number of different editions in Britain and the United States, converted this into the "last stage" of capitalism (sometimes also translated as the "final stage"). This mistranslation is what Arendt and Harvey were referring to in the statement quoted above. (Lenin's title was translated correctly by J. T. Kozlowski in the edition put out by the Marxian Educational Society in Detroit in 1924.)

In the late 1920s, after Lenin's death, the Communist Party in the Soviet Union put out a new edition of the work in which "highest stage" was substituted for "latest stage" (following Lenin's earlier handwritten manuscript) and the work has carried that title ever since. Since this was not Lenin's own published title, however, theoretical claims based on his using "highest stage" in the title of his work—and even more so in the case of the mistranslated "last stage"—lack a firm basis. (See John

Bellamy Foster and Henryk Szlajfer ed., *The Faltering Economy* [1984], p. 21; Robert Service, *Lenin: A Political Life*, vol. 2 [1991], pp. 113-14; Lenin, *Works* [Russian language edition], vol. 19, p. 79; *National Union Catalog, Pre-1956 Imprints*, vol. 326, pp. 239-41.)

To be sure, Lenin had not only employed "highest stage" as the title to his 1916 handwritten manuscript—though deciding in the end not to publish the work under this title—but had also used the term in the preface to the French and German editions of 1920. Nevertheless it is clear from the context of that preface that he was using "highest stage" there in a very definite sense. The 1917 revolution, he believed, had unleashed conditions of world revolution and capitalist decline, suggesting that the highest stage of capitalism had been reached—in the very same sense as one might say that the highest stage of the Roman Empire existed under Augustus (the beginning of the Roman Empire emerging out of the Roman Republic). In the Roman case the Augustan Age represented not only the Empire's zenith but also foreshadowed more than a millennium of decay and internal/external strife—passing through numerous additional stages—before Rome's final demise. The term "highest" thus does not have the same meaning as "last" or "final." For Lenin, as for Marx, capitalism would only end with social revolution and it was only to the extent that it was the "the eve of the proletarian social revolution" on a "world-wide scale"—as he said at the end of his 1920 preface—that it was possible to speak of the "highest stage" of capitalism—beyond which lay a more or less protracted period of revolution and capitalist decline.

Lenin was in practice as well as by profession a revolutionary optimist. There is no doubt that he believed in 1917 and immediately afterward that the revolution beginning in Russia might spread rapidly to Western Europe in the aftermath of the First World War. But his broad theoretical perspective did not exclude a much more protracted struggle between socialism and capitalism, involving a decline and fall of the capitalist system that would stretch well into the future. Even with the revolutionary triumph of the Russian Revolution behind him Lenin did not predict a definite historical sequence of events leading to the quick and inevitable demise of capitalism in all of its forms. There was no absolute determinism in his thinking. Revolutionary situations, he contended, may be objectively determined, but revolution itself remained a contingent historical fact.

Such recognition of historical contingency is not antithetical to Marxism, but is of its very essence. History has no end; and the present as history is always both constrained and contingent. There can be no greater distortion of historical materialism than to conceive it as leading to a strict determinism that then becomes a pseudo-scientific basis on which to prophesy historical developments before they happen. An open-ended, non-teleological outlook distinguished classical Marxism—as opposed to the official Marxism that succeeded it in the Soviet Union from the late 1920s on. Lenin's 1917 work *Imperialism, the Latest Stage of Capitalism* is itself a perfect example of this historical-materialist principle at work.

(continued from inside front cover)

had been alleged that a gang of contractors killed him. A second mysterious death of another engineer has already taken place. The National Human Rights Commission has issued a notice to the Bihar Police and NHAI seeking an explanation of their alleged lapses. But the complaints made by Dubey that cost him his life are unlikely to get any attention. In the 'free market' atmosphere, defense of the public interest is dangerous indeed.

Some 'scams' are the daily mechanics of class rule. When big establishments like Shaw Wallace, Dunlop India, HMT, HPC, BPC or Maruti Udyog do not deposit the hard earned money of their employees (to the tune of Rs. 953.04 crore) to the Employees Provident Fund Organisation as required by law, should we not term it 'corruption'? Among the establishments where employees PF are looked after by the corporate trust, the leading defaulters are in West Bengal and the amount of this default is R.197.71 crore. Nuddea Jute Mill in West Bengal with a default of Rs.15.68 crore was the single biggest private sector defaulter.

In this situation, Transparency International, a Berlin-based anti-corruption 'watchdog' has released a global 'Corruption Index 2003' of 133 countries claiming to measure the degree of corruption as seen by business people, academics and risk analysts, and placed most of the developing countries at the bottom of the list - India ranked 83rd and Bangladesh 102nd. According to another similar survey, India ranks 45th out of 49 countries in terms of corruption and dishonesty of officials. So we see that there is indeed 'corruption' among developing countries, and that authoritative corruption measurers assert it to be worse than among the developed countries.

The ideology makers of the IMF and World Bank use this 'corruption' discourse to blame the victims of imperialism for their failure to develop. But as Ann Pettifor, director of the U.K.-based Jubilee 2000 Coalition has said: "Banks lend money to poor country governments and then literally send men with suitcases to bring back dollars from the leaders of those countries". She cites a high-ranking IMF official who admits that the institution lends money and then accommodates a reciprocal flight of capital. In Indonesia, whose foreign debt burden was \$120 billion, the 1999 Bank Bali case not only exposed corruption in World Bank projects but also exposed efforts by the Bank to conceal the fact that it knew about the corruption. In recent years spectacular instances of corruption in both Argentina and Russia have seen official loans of billions of dollars followed by the nearly simultaneous transfer of the stolen money into private accounts outside the country.

To no small extent the vast U.S. current account deficit (see Minqi Li "After Neoliberalism: Empire, Social Democracy, or Socialism?" in this issue) has been financed by the inflow of flight capital looted from Latin American and former Soviet economies. The beauty of the system is almost breathtaking. Not only do the best friends of the U.S. get rewarded with billions, the U.S. economy stabilised by the inflow of stolen funds, the peripheral nations of the world shown to be themselves to blame for their own exploitation by permitting such 'corruption', but the working people of these countries are left to pay off (through 'reforms' and 'structural adjustments') the debts that remain long after the proceeds have been stolen and deposited in the Cayman Islands or Miami.

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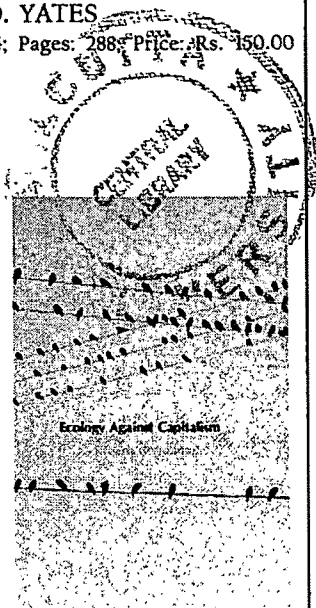


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CULTIVATING PROFIT, HARVESTING POVERTY

Hunger and food insecurity are the daily lot of nearly 3 billion people, yet there is enough food produced globally to meet the nutritional needs of every human. What are the obstacles?

A Precarious Existence: The Fate of Billions

Review of the Month by FRED MAGDOFF

Rice Imperialism: The Agribusiness Threat to Third World Rice Production

MATTHEW CLEMENT

Poverty & Inequality in the Global Economy

MICHAEL DEBATES



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Editorial

The beginning of the year 2004 was marked by two international gatherings against globalisation and war in Mumbai from 16th to 21st January. The meeting under the banner of the World Social Forum (WSF) had a participation of about 100,000 people, including 60,000 foreigners from 130 countries. It also had a 502 member delegation from Pakistan and a few activists from Afghanistan. A second gathering termed Mumbai Resistance (MR)-2004, a militant platform of over 310 political movements organised parallel to the WSF, had about 5,000 participants. Both meetings put forward a vigorous opposition to the occupation of Iraq by the United States, its clients and satellites.

The slogan of the WSF is "Another World is Possible", and were people to cease their search for a better world it would be a black day indeed. The slogan reflects a preference for inclusiveness at the cost of clarity, and the WSF gathering was both massive and diverse. The spirited participation in both meetings were a welcome sight, and the genuinely anti-imperialist sentiments of the great mass of the participants were evident.

Neoliberal globalisation has lost much of its forward motion and sense of inevitability, but obstacles to a successful challenge are enormous. The biggest such obstacle remains the ideological hegemony exerted by the capitalist order, which attempts to channel mass revolts into largely
(continued on inside back cover)

A Precarious Existence

The Fate of Billions?

FRED MAGDOFF

The Wretched of the Earth

The number of people living a precarious existence has been increasing in many countries of the world, with hunger all too widespread. There are approximately 6 billion people in the world, with about half living in cities and half in rural areas. Between the poor living in cities and those in rural areas, a vast number of the world's people live under very harsh conditions. It is estimated that that about half of the world's population lives on less than two dollars per day, with most of those either chronically malnourished or continually concerned with where their next meal will come from. Many have no access to clean water (1 billion), electricity (2 billion), or sanitation (2.5 billion).

Of the 3 billion inhabitants of cities, a recent United Nations report indicates that close to 1 billion live in slums—that number vastly expanded during the so-called boom years of the 1990s. It is estimated that over the next 50 years the number living in slums will increase by about 300 percent (*The Challenge of Slums—Global Report on Human Settlements 2003*, UN Human Settlements Program).

The other half of the world's population—about 3 billion people—live in rural areas. Most of them are producing food for themselves and/or to sell to others. Many rural inhabitants live in difficult conditions, but those with access to land can usually provide food for their families.

The situation is far from static. A continuing mass migration of people from rural regions into the cities of the third world is

Fred Magdoff is professor of plant and soil science at the University of Vermont in Burlington. He is author of numerous scientific articles; coauthor, with Harold van Es, of *Building Soils for Better Crops* (Sustainable Agricultural Network, 2000); and coeditor, with John Bellamy Foster and Frederick H. Buttel, of *Hungry for Profit: The Agribusiness Threat to Farmers, Food, and the Environment* (Monthly Review Press, 2000).

This essay was written as an extended reflection on Samir Amin's "World Poverty, Pauperization, & Capital Accumulation," in the October 2003 MR.

underway. Some 20 to 30 million people leave their villages each year, swelling the ranks of urban populations. People move to the cities in response to difficult conditions in rural areas (thinking that there are better prospects in the cities) or because they are pushed off their farms when an expanding capitalist farming sector takes over land or mechanizes production.

In the core countries the migration of the peasants and farmers to the cities began as capitalism first developed in the 16th through early 19th centuries—and continued through the 20th century. As the population moved to the cities new job opportunities were being created by industrialization at the same time as increased agricultural mechanization and productivity were decreasing the need for labor to farm the land. There was also another outlet for people pushed off the land in Europe when there were not sufficient jobs in the cities. Millions of people migrated to colonies and former colonies—the United States, Canada, and Australia—where land and other resources appropriated from indigenous peoples provided, for a while, a seemingly endless frontier.

What is occurring today in the third world, beginning in the late 20th century, is something very different. It is the migration of farmers, peasants, and landless rural families to cities that do not have sufficient jobs to absorb the newcomers productively. Although some manage to migrate to the core capitalist countries, this outlet for “excess” population has been effectively closed to the masses of people. The result has been the explosive growth of slums in the third world, accompanied by misery and hungry people without access to land to grow their own food.

One of the most important human issues of our time is the future of the vast numbers of people around the world who are living by producing food and what will happen to them when forced off the land. It is also an issue that gets all too little attention from mainstream and left academics.

Why Are So Many Hungry?

It is commonly believed that hunger is confined to the periods when drought, floods, or war disrupt the normal production and distribution of food, resulting in heartbreaking famines. However, hunger and food insecurity (not knowing where your next meal is coming from) are the normal situation for a large portion of humanity. While not as visible and dramatic as famine, chronic malnutrition has disastrous results in terms of the poor physical and mental development of children, difficulty in learning, increased susceptibility to diseases, and so on. The UN estimates that about 840 million people—including 10 million in the core industrialized

countries—suffered from undernourishment during the period 1999–2001. According to the UN, there has been an increase in the number of undernourished people, with about 18 million more in the period of 1999–2001 than in 1995–1997. However, many more people than the UN estimates are living under food insecurity, in various degrees of hunger—perhaps as many as 3 billion. Even if the number is “only” 840 million, it is still shocking!

While hunger certainly exists in the countryside it can be an even more challenging problem in cities. Removed from the land, people can't grow their own food and must find some income source. When economic development doesn't provide sufficient jobs for those forced into the cities, people try to scrape by in the “informal economy”—frequently purchasing items and reselling them in smaller quantities—or resort to crime.

There is enough food produced globally to meet the basic nutritional needs of the world's people. The same is true within most countries. Chronic malnutrition and food insecurity are caused mainly by poverty and not by lack of food production. One has to go no further than the United States to see that hunger can exist side-by-side with an agricultural system that produces more than enough food to nourish the entire population adequately. Twelve million U.S. families are considered “food insecure” and in close to 4 million families—containing over 9 million people—someone skipped meals because of lack of food. The United States Conference of Mayors reported that “...during 2002 requests for emergency food assistance increased by an average of 19 percent, with 100 percent of the cities registering an increase” (*A Status Report on Hunger and Homelessness in America's Cities 2002*, <http://www.usmayors.org>). Even in my state, Vermont, with a relatively low official unemployment rate, the requests for food from various private charities have skyrocketed in recent years. Eighty percent of the new families seeking food assistance have someone that is working. The director of one of the food assistance programs commented, “I've seen an increasing number of parents who will say they have not eaten for a day or two to feed their children.”

The coexistence of surplus food and hunger also occurs in the third world. India is one of the success stories of the “green revolution,” where a combination of improved varieties and a number of agronomic techniques led to much greater national food production. However, India now has “excess” food at the same time that it has widespread hunger. A newspaper headline tells it all, “Poor in India Starve as Surplus Wheat Rots” (*New York Times*, December 12, 2002). This surplus food rots, is eaten by rats, or is exported at low prices while people in India go hungry.

In general, people are chronically hungry because they are poor and don't have enough money to buy food. It is as simple as that! Under capitalism, food is just another commodity—like a pair of shoes, a television, or an automobile. People have no more legal right to food than they have to any other commodity.

Let Them Eat Free Trade

The answer of the governments of the core capitalist countries—as well as the various international organizations such as the IMF and World Bank—to almost all problems of development, including poverty and hunger, is a one-size-fits-all approach. Disregarding the needs and desires of a country's people and its concrete situation, this general approach begins with eliminating tariffs and other trade barriers on goods and allowing the free movement of capital into and out of countries.

The neoliberal theory goes as follows. The removal of barriers to the flow of goods and capital permits a country to concentrate on developing the areas in which it has a "comparative advantage." That is to say, the country should focus on mining, growing, or manufacturing the products for which it has an advantage due to climate, natural resources, a skilled labor force or other factors. Then it can purchase whatever else it needs with the currency earned by exporting these products. In addition, the theory goes, these steps overcome one of the main hindrances to development of the countries of the periphery—a lack of investment capital to build factories, communication systems, roads, and ports. It follows, according to the neoliberal logic, that making conditions more attractive to foreign corporations (for example, by allowing them to repatriate all of their profits) means that they will invest more, leading to greater economic development and prosperity. Markets for goods and capital, freed of government control, will work in ways that magically create optimum conditions for all—a win-win situation with no losers!

There are many problems with the neoliberal market-oriented "free trade" approach, which I will not go into here. However, one in particular has haunted countries in the periphery for a long time, even before the recent push for them to open up completely to foreign capital. The very process of investing capital from the core in the periphery tends to generate debt and currency crises—caused by excessive borrowing by the periphery countries as well as the repatriation of profits on invested capital to the countries of the center. Many countries are continually short of sufficient foreign currency to escape their predicament. This causes them to stimulate export-oriented industries and agriculture in order to earn foreign

currency to pay off loans or allow the movement of capital out of the country. Government programs stimulate the growth of crops with export potential, such as oranges, cotton, soybeans, specialty vegetables, tropical fruits, and coffee because of their potential to earn hard currencies.

Another part of the neoliberal approach, encouraged or mandated by the IMF and World Bank, is to decrease government budgets. This is usually accomplished by eliminating subsidies that help the poor, such as those for fertilizers and food, and by privatizing various governmental functions.

Rarely mentioned, of course, is the fact that the wealthy capitalist countries developed by protecting industries and only later—as their economies strengthened and capitalists required greater access to other markets and resources—called for less restrictive trade with other countries. Also rarely discussed is the fact that U.S. agriculture developed with massive government involvement—beginning with capturing land from native peoples and transferring it to European immigrants, and going on to develop transportation infrastructure, irrigation, research, extension, subsidies for farmers, export incentives, and so on. Not the least concerned with the hypocrisy of the situation, governments of the wealthy capitalist core continue to use a variety of means to protect and favor the businesses of their countries while espousing free trade and free markets.

The Devastating Results

Following the standard prescription—opening up countries of the periphery to the free flow of goods, services, and capital as well as decreasing government support programs that help the living conditions of the poor—can be devastating. There are numerous recent examples of how such policies have hurt the poor. Taking the advice of the World Bank and various aid organizations, the government of Malawi reduced assistance to agriculture and at the same time let its currency float. This led to a devaluation of their currency and a five-fold increase in the cost of imported fertilizer—putting this essential ingredient of agriculture out of the reach of most farmers (*New York Times*, July 13, 2003). The use of fertilizers is one of the keys to enhanced agricultural production on the ancient and nutrient depleted soils of Africa. Even though aid agencies have helped some farmers obtain modest amounts of fertilizer, the market-oriented “solutions” recommended by experts have led to widespread and more persistent hunger, even when the climate is favorable. In Ghana, the government, “pressured by its Western creditors to keep its fiscal house in order, doesn’t supply fertilizer

subsidies, crop-price supports, or any other equivalent of cheap financing..." (*Wall Street Journal* December 3, 2002). With the relatively high prices of fertilizers, which need to be imported, a lack of subsidies means that farmers use little or no fertilizer, thus food production and opportunities for earning extra income are well below easily attainable levels.

The effects of the transition to "free markets," "free trade," and decreased government support for food production have been even more damaging to Ethiopia. The government, heeding aid organizations that advised a "free market" approach with decreased government "interference," decided that after they had stimulated agricultural production they needed to reduce the state's assistance for agriculture. Better seeds and easier access to fertilizers were made available to farmers and production increased. As prices received by farmers fell dramatically in response to a glut on the market, there were few storage facilities to allow farmers to store grains and wait for prices to rise. Funds were not available for those wishing to build grain storage structures. Farmers responded in a completely logical way to record low prices in 2001. They reduced the amount of land they planted the following year. This decrease in planted area, together with unfavorable weather in 2002, created conditions for widespread hunger and even starvation in 2003.

Following the Philippine government's embrace of neoliberal policies—with the alignment of tariffs and laws to accommodate requirements of the World Trade Organization (WTO)—the situation of farmers and agriculture in the Philippines took a sharp turn for the worse. Imports of rice and corn surged, as many had anticipated, creating widespread misery among farmers. It was expected that farmers would switch to more lucrative crops for export. However, Philippine agriculture was weak, not only in comparison to the highly subsidized U.S. farms, but also relative to the agriculture of China, Taiwan, Thailand, and Vietnam. Philippine farmers had been encouraged to produce vegetables, poultry, and beef for profitable export, but they could not compete internationally, so that even their domestic markets have been swamped by imports.

Laura Carlsen, an analyst with the Americas Program of the Interhemispheric Resource Center (IRC), in a June 2003 speech before the Committee on Industry, External Trade, Research, and Energy of the European Parliament, explained what has happened in Mexico, one of the early participants in the rush to liberalize trade relations:

In sum, two decades of agricultural trade liberalization in Mexico have led to: an increase in rural poverty, malnutrition, out-migration, and instability; increased workloads, particularly for women; increased consumer prices; increased profits and market control by transnational traders and processors at the cost of smallholder farmers; lost national revenues that could have been applied to development programs; and severe risks to the environment and biodiversity. (www.americaspolicy.org/commentary/2003/0306eu_body.html)

The harsh effects of the North America Free Trade Area (NAFTA) on people living in the Mexican countryside are partially offset by migration to the United States and by remittances that immigrants send to families back home. There is a long history of migration from Mexico, with the bulk of immigrants coming from states with poor soils and a tradition of immigration. However, many in the new wave of Mexicans coming to the United States in response to the effects of NAFTA are leaving regions with good soils and productive agriculture.

The situation that has occurred with coffee—once a crop that provided modest but reasonably dependable income for many small farmers—should be a caution to those championing export-oriented production. Coffee is a crop that employs some 25 million people, many working on relatively small farms. However, over a relatively short period of time, both Vietnam (once a minor player in the international coffee market, but now accounting for about 12 percent of the total world exports of coffee) and Brazil greatly increased their coffee plantings in hopes of taking advantage of this “high value” crop. Because production has gotten so far ahead of demand, the prices received by farmers have plummeted by around 50 percent, creating a disaster for the world’s coffee growers. This price drop has, of course, created significant corporate profit opportunities, for prices of finished agricultural products rarely decline much when there’s a glut of raw material on the market.

The WTO and Cancun: A Challenge to the Center

It isn’t surprising that so many countries in the periphery initially bought into the supposed advantages of free trade and reduced governmental budgets, and participated in the rush to join the WTO and to adjust national laws and tariffs to fit the new “free trade” paradigm. The finance and trade officials of many third world countries were trained in the United States and Europe in what has become the orthodox theory of growth and development. However, some government leaders and many popular organizations in the periphery are having second thoughts about the purpose and outcomes of the so-called globalization that is taking place under

the orchestration of giant corporations and governments of the capitalist center. A struggle over the rules governing international trade is underway, with many leaders in the periphery concerned about the effects of new arrangements on their people. While not questioning the basic assumptions, some are beginning to question whether "free trade" is really so free.

Before the September 2003 Cancun WTO meeting, the presidents of Mali and Burkina Faso, Amadou Toumani Touré and Blaise Compaoré, complained about the high subsidies of U.S. agricultural products (*New York Times*, July 11, 2003). They claimed that the subsidies on crops in the core countries result in overproduction and artificially low prices on the world market, making it difficult for countries in the periphery to earn foreign exchange by selling the agricultural commodities they produce. Essentially, the two presidents were asking the United States to live up to its own free trade rhetoric.

It is estimated that the average U.S. farmer receives an annual subsidy of over \$20,000 while the average Mexican farmer receives about \$700 (*Business Week*, November 18, 2002). As Presidents Touré and Compaoré pointed out in their article, "America's 25,000 cotton farmers received more in subsidies—some \$3 billion—than the entire economic output of Burkina Faso, where two million people depend on cotton." Not mentioned by the two presidents was another subsidy—about \$1.7 billion a year goes to U.S. companies that purchase domestically grown cotton. Subsidies to U.S. corn farmers without any system of supply management, stimulating production and allowing the crop to be sold under the cost of production, plus aggressive marketing by transnational corporations, harms Mexican and Filipino farmers. European protection for its sugar beet farmers and U.S. sugar quotas hurt sugar cane producers in Africa and Latin America.

The Cancun meeting of WTO ministers ended in failure because an important group of countries in the periphery began to understand that the rules of the game—developed and favored by the wealthy superpowers—have been rigged against them. The Group of 20 (the number varies some), under the leadership of Brazil and India, refused to accept some of the rules developed by the capitalist core countries that leave them in an especially vulnerable position.

Many nongovernmental organizations in the periphery are also demanding change. Mexico has had 10 years of experience with "free trade," including farming high value crops in the northern states, losing a huge number of farmers in the process and leaving many rural areas devastated. In January 2003, some 100,000 people took to the streets demanding renegotiation of NAFTA. They also

demonstrated in favor of a national rural development pact and commitment to food sovereignty.

False Hopes about Subsidies

The breakup of the Cancun WTO meeting may prove to be an important turning point in the relations between the periphery and core countries, making it more difficult for transnational corporations to set the entire international trade agenda. However, the emphasis of the Group of 20 on subsidies to farmers in the core countries as *the* major stumbling block to greater prosperity for farmers in the periphery may be misplaced. There are two reasons that eliminating the subsidies and allowing free markets to operate might not have the imagined positive effects on the periphery. First, farmers don't necessarily behave as economist's models predict. Second, there are other issues that are probably more important than the subsidies.

It is believed that if subsidies were eliminated, in effect reducing the revenues farmers receive, U.S. farmers would decrease production by planting less land or by switching to other more lucrative crops. However, this scenario bears little relation to what really happens in the short to medium run. A conversation I witnessed in the late 1990s helps to illustrate the point. While meeting with five dairy farmers in his office, the chief economist of the U.S. Department of Agriculture was astonished to hear one farmer explain that as milk prices declined he added more cows to his herd and when prices went up, he would sell a few. This is exactly the opposite of what conventional economic theory would predict. When asked why, the farmer explained that when prices decreased he had to produce more milk to meet his fixed costs (such as property taxes and building maintenance). As prices increased, he would sell a few cows (instead of adding more, as theory holds) to make his life easier. The decision made by each farmer—increasing production in response to falling prices—makes absolute economic sense for the individual, even though when many do the same it harms them all by stimulating overproduction and lowering prices even more.

In addition to the general tendency of farmers to produce more as prices decrease, there are other obstacles to the ideal behavior pictured by conventional economists. For example, because many crops require specialized machinery and different management than the farmer currently uses, it is not always easy to switch rapidly from one crop to another. In addition, farmers frequently manage to produce for quite a few years while receiving less than the cost of production by deferring maintenance and taking out more loans.

Finally, farmers never know what the weather will be on their farm or in other places around the world where a particular crop is grown. Low prices in one year, because of a glut on the market, may be followed by higher prices the next year as yields decline because of poor growing conditions in a major growing region.

It is also possible that the elimination of subsidies would speed the concentration of U.S. farms into large production units, with relatively low average costs of production. For example, farms with greater than 1,500 acres of cotton have lower costs of production per pound of lint than the smaller farms that tend not to specialize in cotton production. The same general pattern holds true for corn and soybean farms.

Experiences with the removal of subsidies and/or low agricultural commodity prices in Australia, Canada, and Mexico indicate that the total amount of cropland may well stay the same or increase. Farmers sometimes change their mix of crops in response to the removal of subsidies or because of low prices for one crop, but frequently they do not. (The behavior of Ethiopian farmers, decreasing the cropland they plant following a year of prices disastrously below their costs of production, is different from farmers in the United States, Canada, or Australia who are able to withstand a year or two of low prices.)

Despite disadvantages, some farmers in the periphery, such as soybean growers in Brazil, are already competing successfully on the uneven playing field of international agricultural markets. Many more would be able to compete in a hypothetical free (and unsubsidized) market. But they will quickly find that in order to succeed they need to "modernize" their farms. This involves a number of techniques—a high degree of mechanization, use of the newest varieties, and extensive reliance on fertilizers and pesticides, frequently available only as imported products. Some countries in the periphery, such as Brazil, have considered large-scale, export-oriented, agriculture progressive because it is efficient in terms of labor and at the same time helps to generate the foreign currency that is desperately needed to dig their countries out of debt peonage. However, there is extensive documentation of the environmental harm caused by excess use or misuse of pesticides and fertilizers.

The mechanization of agricultural production, as a strategy to help farmers in the periphery compete internationally, may actually pose the greatest threat to the food supply of people in the third world. As I have pointed out previously, while mechanization of agriculture does increase labor productivity it does not necessarily result in higher amounts of food produced per hectare or acre (Fred

Magdoff, "Pros and Cons of Agricultural Mechanization in the Third World," *Monthly Review*, May 1982, 33-45.). In addition, when mechanization occurs without the availability of work in the other sectors, unemployment and hunger are the normal results. Although conditions in the countryside may be harsh, having some land on which to grow food provides a degree of protection against hunger. Samir Amin has estimated that 20 million large scale and highly mechanized capitalist farmers could produce all the food needed in the world. Yet, there is no realistic possibility that anywhere near the sufficient number of jobs will appear to provide employment to the mass of humanity displaced by advanced capitalist agriculture, wherever those large farms are located. What will be the fate of those "unneeded" billions of people if that actually happens?

What Are the Critical Obstacles?

Lost in the discussion of subsidies to farmers in the wealthy capitalist core countries are other more important issues undermining agriculture and the conditions of the poor in the periphery. For example, competition among the countries of the periphery under truly free trade is as much a potential threat to their agriculture and farmers as subsidies to farmers in the United States and Europe. Decisions to increase coffee production in Brazil and Vietnam are having severe repercussions for coffee growers in Latin America, Africa, and Asia. Eager to reduce its crop stockpiles, India has exported rice at very low prices, adversely affecting farmers in other countries. Imports of "high value" crops from China, Taiwan, Thailand, and Vietnam have undermined the position of Philippine farmers.

The drive to privatize state-owned agribusiness infrastructure and reduce government budgets is also part of the problem, not the solution. Privatizing state cotton enterprises in Africa—which sold inputs to farmers, purchased their crops, ginned the cotton, and pressed cottonseed to make cooking oil—created its own problem. A large portion of the African cottonseed crop is now exported to Europe for use as an animal feed, leaving the cotton oil factories running at 25 to 30 percent of capacity. As discussed above, government subsidies for fertilizers have been reduced or eliminated in a number of African countries, reducing food production and rural income. The Noble Peace Prize-winning agronomist Norman Borlaug has worked in Africa for a number of years, showing that simple techniques can increase yields on the lands of small farmers. However, he is frustrated by the lack of government programs to implement and maintain a support system for farmers. "I'm a biologist, not an economist, but even I can see [Western and

African] policies aren't working. It's time to face up to reality" (*Wall Street Journal*, December 3, 2002).

Perhaps the greatest threat to farmers in the periphery is the growing corporate control over the world's food supply. The agriculture of the periphery is under assault by the forces representing agribusiness in the countries of the center—grain trading corporations, input suppliers (especially seed and chemical companies, which are now intertwined), processors, and distributors. The attack has been carried out under the guise of promoting "free markets" and "free trade." The real profits in agriculture are not made by growing commodities such as wheat, corn, rice, cotton, or apples. The profits of capital are generated by agribusiness at both sides (before and after) of farming. At the beginning of the 20th century, about 40 percent of the value of food purchases in the United States went to farmers; by the end of the century they received only 10 percent. The remaining money went to input suppliers (25 percent) and transportation, processing, and marketing (65 percent). Agribusiness transnationals are already well established in the periphery. For example, the giant Cargill Corporation operates in 18 Brazilian states, and has more than 120 units including its plants, warehouses, offices, port terminals, and farms. It is a major exporter and processor of soybeans (originating seven million tons annually), has one of the largest citrus processing plants in the country, and has an exclusive port terminal in Guarujá—the only automated port terminal in Brazil, for shipment of sugar products, in bulk or bags.

Is There a Way Out?

The world is traveling toward greater economic integration under rules almost exclusively favorable to large corporations in the core capitalist countries. If things continue along this path, and industrialized agriculture—now dominating U.S. agriculture—is implemented in the rest of the world, the conditions of the world's people will certainly deteriorate. Although he has no real solution to the problem, former president of the Philippines, Fidel Ramos, once an advocate and participant in the rush to join the WTO, now expresses the concern of growing numbers of people over the clearly rigged game. "Poor countries cannot afford to be on the short end of this deal for long," he said. "People are in real need. People are dying" (*New York Times*, July 21, 2003).

Erasing poverty is necessary to eliminate the abysmal conditions—including hunger—under which so many people live. Antipoverty programs, now fashionable among national and international organizations, go under the assumption that if the

system could just be modified it could fully include the so-called marginalized masses. If only we could have enough charity, food pantries and soup kitchens could provide food to the hungry. If only we could provide microloans to allow people to start businesses and lift themselves out of poverty. If only we could subsidize our farmers so that they could use more fertilizer to increase food production. However, the very workings of capitalism create both a core group of wealthy nations and a periphery of very poor and moderately poor countries. It also produces a class structure that always has a lower working class—a mass of workers that alternate between employment and unemployment or are nearly permanently unemployed. These people at the “margins” of economic activity are as central to capitalism as the capitalist, factory worker, or government functionary helping to keep the system operating.

It is not possible to write a simple prescription for improving food production and alleviating hunger and misery that is valid for all countries. There are just too many differences in history, culture, and natural and human resources. However, it is clear that signing agreements that favor the wealthy nations, trying to make a country more “attractive” to capital investment, and embracing technological fixes such as genetically modified crops are not the way out. These approaches in many cases actually make things worse! Countries may also need to forgo assistance from various development agencies and organizations that tie their aid to damaging government policies. As a top official in Ghana’s Ministry of Food and Agriculture put it, “With the mere mention by us of subsidies, our development partners start howling, and want to catch us and chew us up” (*Wall Street Journal*, December 2, 2002). With “development partners” like that, who needs enemies?

Are there any ways for the countries of the periphery to get out of this devastating situation? There are some general approaches that should be considered. Trade arrangements that are better than those originally developed before many understood the implications of the “free trade” agreements can certainly help protect farmers and the poor in the periphery. But better “free trade” deals are no solution to these issues. Although out of fashion these days, governments in the periphery need to take an active role in assisting the transformation of their agriculture—not only to use environmentally sound production techniques, but also to be able to support large numbers of farmers. Until sufficient numbers of jobs are available in the cities, keeping people productively employed on the land as well as subsidizing the production of at least the basic foods may be prerequisites to alleviating poverty and hunger in the periphery. This may require many initiatives, such as meaningful

support for ecologically sound and productive farming practices and better transportation and storage facilities. Land reform is desperately needed in many countries of Latin America and Africa. It also makes no ecological sense to have a world with food transported thousands of miles when it could have been produced close to where it is needed. Agricultural efforts should concentrate on food production for consumption within the country. On this, there is much that can be learned from the Cuban experience following the disintegration of the Soviet Union. It has led the way in the extensive development of urban agriculture (and also organic agricultural practices), where the raising of crops in cities contributes significantly to the well-being of the people.

It is, of course, not an issue of whether to trade or not, but rather to trade on terms that will help the mass of the people and encourage development. It is also not a question of whether or not to borrow money or seek technologies that may only be available abroad. However, it is important for countries to control the direction of investment—how much money will be borrowed for what uses (and under what terms). Technologies should be selected that do the most economic good while minimizing potential environmental problems. Enhancing the well-being of a country's poor depends on development based primarily on the nation's own human and natural resources and directed in a way to benefit its people—even though in most cases this will go against the wishes of international capital.



In every generation, diverse voices...insistently proclaim that the very notion of class struggle is obsolete, part of a world that has irrevocably vanished, and that the manifestations of it which still occur are the work of ill-intentioned people wholly out of tune with the times. What they mean, of course, is that class struggle *from below* is obsolete. What they ignore is that even if it were true that class struggle from below was disappearing, class struggle *from above* would endure, and would indeed be given greater strength and scope, precisely because of reduced pressure from below.

—Ralph Miliband, *Divided Societies*, p. 207

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Rice Imperialism

The Agribusiness Threat to Third World Rice Production

MATTHEW CLEMENT

Food is an essential human need. All cultures involved in settled agriculture have produced food and food production is basic to all culture. The seed used in agricultural cultivation is the product of thousands of years of cultural development. Most of this development of food crops over the millennia has occurred in regions that are now in the periphery of the capitalist world economy. In recent years, however, agribusiness corporations located in the rich nations of the core have attempted to patent various forms of food crops, such as basic grains, and then to monopolize these patented grain varieties, creating dependence on seeds of the agribusiness corporations. When such practices involve, as in recent years, a crop such as rice on which much of the world's population depends for subsistence, the implications are enormous and potentially disastrous for the world's poor.

RiceTec Seeks Protection

In the 1990s the United States Patent and Trademark Office registered trademarks for a variety of hybridized rice strains developed by RiceTec, Inc. of Alvin, Texas. The patent office granted patent protection for a few of these rice lines in September 1997.

Objections arose challenging the legality of patenting these rice strains, questioning in particular how far such patents could extend in relation to traditional strains. In June 2000 the Agricultural and Processed Food Export Development Authority of the Indian Government's Ministry of Commerce requested that the patent office reexamine the validity of the "Basmati Rice Lines and Grains" patent.¹

The patent office responded by modifying its initial patent protection, and this gave rise to contradictory interpretations of what they had done. The headlines of some major media outlets called the immediate outcome a "win" or "partial win" for RiceTec.

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The *Houston Chronicle* reported, "The Patent Office threw out several broader claims for patent protection, while RiceTec itself withdrew other assertions." RiceTec said that this was a "good outcome" because the patent office "upheld three key elements protecting three hybrid lines of 'basmati' rice developed by RiceTec."² This allowed RiceTec to market its rice product, Kasmati, with patent protection.

Yet, days before the *Houston Chronicle* report, the Research Foundation for Science, Technology and Ecology (RFSTE)—which had urged the Indian government to fight the patent—issued a press release titled, "RiceTec Loses in the Basmati Battle." The press release explained that the patent office's decision to cancel certain patent claims and to specify the individual rice lines developed by RiceTec in its patent application was a victory for RFSTE, not for RiceTec. RFSTE clarified this by stating that the victory was for Indian farmers. Because the patent office decision forced RiceTec to change the title of its patent application from the general "Basmati Rice Lines and Grains" to the specific "Rice Lines Bas867, RT 1117, RT1121," it "prevents the potential use of the Basmati patent against growing traditional Basmati" rice and ensures the economic status quo of traditional basmati rice farming, with no change in the export conditions of basmati from India.³

The *Houston Chronicle* quoted India's State Minister for Commerce and Industry as he declared, "The decision...signals a victory." The *Financial Times* acknowledged, "RiceTec last week won approval to go ahead with a patent on three varieties but its success could be limited."⁴ A day later the *New York Times* explained that "[RFSTE] saw the narrowing of the patent as a significant accomplishment," but noted that "scientists, including Dr. S. A. Siddiq of the Indian Council of Agricultural Research, remain skeptical about India's ability to thwart piracy of traditional basmati strains."⁵

The *Houston Chronicle* also quoted Bruce Hicks, a spokesperson for RiceTec: "It took us 10 years [to develop the rice strains under application] It wasn't something we cooked up over a weekend."⁶ What Hicks, and the industry, fail to appreciate is that developing rice strains in ten years is analogous to a weekend's work when compared to the hundreds or even thousands of years Indian rice farmers have spent developing their strains of basmati!

Not content to patent strains of basmati rice, RiceTec has also won approval from the patent office for its "Jasmati" brand of rice, and U.S. scientists are working on developing new jasmine strains. It has developed its new strains based on Thai rice seeds obtained from the International Rice Research Institute, leading to challenges from a diverse group of Thai, Indian, and U.S. scientists and

environmentalists. The *Bangkok Post* stated that "RiceTec won a trademark for its brand of 'Jasmati' rice. The brand name was seen as an attempt to mislead consumers and to undercut the intellectual property rights of basmati and jasmine rice."⁷

The U.S. Rice Industry

To place the RiceTec controversy in context, it is necessary to look at some recent history of the rice industry in the United States. In 1994, the U.S. rice industry consolidated its lobbying and marketing resources to form the USA RICE Federation, mainly in response to economic imperatives. The federation, based in Houston and Washington, D.C., boasts a "membership structure encompassing 80 percent of U.S. Rice acreage and production as well as 98 percent of U.S. rice milling capacity." In the 1980s and 1990s, U.S. rice production was hard hit by increased international competition. "The [U.S. rice] industry has been struggling for years with foreign competition, low prices and the loss of markets such as Iraq and Iran," reported the *Houston Chronicle*.⁸

Texas ranks about fifth in total U.S. rice acreage. Its total acres of rice planted dropped from around 600,000 in the early 1980s to a little over 200,000 in 1994. Jobs in rice milling were hit too. By the end of 1998 Uncle Ben's, a Mars, Inc. subsidiary, had closed its Houston rice mill, in order to consolidate production at its new Mississippi plant.⁹ The Houston mill had been in operation for about 50 years, employing about 100 people, but had produced plain white rice while demand for flavored rice grew.

Foreign rice imports have increasingly found their way into U.S. diets, and consumers are choosing these new varieties. Competition from an international rice market forced the U.S. rice industry not only to consolidate its lobbying and marketing resources, but to do so in a more effective manner. In 1995, basketball star Hakeem Olajuwon entered into an advertising agreement with Uncle Ben's, an advertisement that drew criticism for its perpetuation of racial stereotypes. One day after the Houston Rockets won their second, consecutive NBA championship, and Hakeem Olajuwon was named the NBA Finals MVP for the second straight year, the star player told the *Washington Post* that, "this relationship [with Uncle Ben's] marks a major milestone in my career, because having grown up eating Uncle Ben's rice in Nigeria, I now get the chance to work with this outstanding company." The *Post* suggested that Olajuwon's advertising spot would improve Uncle Ben's public relations agenda for a couple of reasons: "Olajuwon's appeal, advertisers said, includes his soft-voiced, articulate manner and his social consciousness."¹⁰

Even though the U.S. acreage under rice cultivation has

decreased since the 1980s, U.S. rice consumption has increased—from around 10 pounds per capita in 1985 to around 27 pounds per capita currently. U.S. consumption is increasing, and tastes for the traditional “plain” rice recently began losing out to foreign imports of “flavored” rice, such as basmati. Companies like RiceTec started investing in this new segment of the rice market. However, if there was a lesson learned from the effect of increased international competition in the rice market, it was that U.S. firms needed greater control of the market so that their production would not suffer in the future.

Patenting rice hybrids was just the mechanism that would give the companies the control they desired. RiceTec’s ability to patent a strain of rice traditionally grown in India would satisfy the U.S. demand for flavorful, foreign rice, while keeping it under the strict control of U.S. agribusiness. U.S. farmers had been growing “foreign” strains of rice in the United States for decades, but as the international market became more competitive, there was an acceleration of importing foreign rice like basmati into the United States. The evolution of international economic governance institutions, like the formation of the World Trade Organization (WTO), would provide the venue in which U.S. rice companies like RiceTec could ensure market share in the face of cheaper foreign imports. These international institutions would accept and promote the U.S. side of copyright and patent protection.

The WTO Enters the Fray

The United Nations’ World Intellectual Property Organization (WIPO) had been the venue for negotiating patent issues at the global level. However, the formation of the WTO in 1995, at the conclusion of the trade negotiations during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) regime, shifted the intellectual property rights venue to one more suitable to private interests.

The UN organization lost its position as a forum for international negotiations on intellectual property rights for several reasons. First, its enforcement arm, the International Court of Justice, had never heard a single dispute on intellectual property protection. Second, as its membership grew, achieving consensus became difficult, especially among the developed and developing countries. Third, because it is under the direction of the UN, the organization had become more flexible towards the demands of the developing countries, threatening the interests of wealthy capitalist countries. In 1984, the United States withdrew from the United Nations Educational, Scientific and Cultural Organization (UNESCO) in response to the initiatives of developing countries to ensure their

intellectual property. Fourth, U.S. corporations and the U.S. government were acting unilaterally to appropriate intellectual property and then protect their rights to the property. The United States' Caribbean Basin Recovery Act of 1983 provided duty-free incentives for Caribbean exports to the United States for those Caribbean countries willing to ensure U.S. intellectual property rights.

The WTO Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) made the link between international trade and intellectual property more amenable to U.S. corporate interests. The *New York Times* reported how protesters inside and outside of the 1999 WTO negotiations in Seattle viewed TRIPS as supporting the economic interests of companies like RiceTec:

At the World Trade Organization conference in Seattle, India protested the agreement on trade-related intellectual property rights [TRIPS], which had led to a spate of patents for western companies, including for basmati rice. Another coalition denounced the basmati rice patent at the Seattle meeting, and called on WTO members to accept that the rights of farmers and communities precede intellectual property rights.¹¹

TRIPS defines intellectual property protection for the global market place:

It lays down minimum standards of protection and enforcement for all types of intellectual property...it defines what is patentable and sets a minimum patent term of 20 years. The rules will be binding on all WTO members, though developing countries have been given a five-year transition period (11 years for the poorest) to adopt new legislation. Thus India, the most notable absentee from the Paris Convention, will have to provide basic patent protection.¹²

If the U.S. Patent Office had granted patent protection for RiceTec's rice strain innovations with the original claims and under the originally proposed title "Basmati Rice Lines and Grain," then under TRIPS, Indian basmati rice farmers would have been in a precarious situation, not knowing if their rice production required royalty payments to RiceTec.

The practice of patenting plants in the United States began recently. In 1970, the patent office began to issue comprehensive patents on plants developed by traditional breeding methods. Not until 1985 was the first patent issued for transgenic plants (plants altered by the transfer of genes from a different species or breed).¹³ The Uruguay Round of international trade negotiations began the very next year. The private corporate focus on protecting intellectual property was increasing and materializing into organizational structures in the mid-1980s. For example, in March 1986, 13 U.S.

corporations formed the Intellectual Property Committee:

...an ad hoc coalition of 13 major corporations: Bristol-Myers, DuPont, FMC Corporation, General Electric, General Motors, Hewlett-Packard, IBM, Johnson & Johnson, Merck, Monsanto, Pfizer, Rockwell International and Warner Communications. It described itself as "dedicated to the negotiation of a comprehensive agreement on intellectual property in the current GATT round of multilateral trade negotiations."¹⁴

Two of the 13, DuPont and Monsanto, have become part of the group of U.S. corporations leading the world in developing and patenting transgenic plants. Monsanto, for example, obtained one patent, among many, on July, 23 2003, entitled "Method for reducing pest damage to corn by treating transgenic corn seeds with pesticide." Monsanto then obtained a patent for Bt Cotton, a pest resistant strain of cotton. Additionally, Monsanto currently provides public relations support for the development of Syngenta's beta-carotene fortified Golden Rice. Syngenta agreed to license the Golden Rice development free of charge for use in the Humanitarian Project:

Drs. Potrykus and Beyer [inventors of Golden Rice] have the rights under this agreement to share Golden Rice with public-sector rice breeding programs to generate new Golden Rice varieties for use by resource-poor farmers in developing countries, defined as farmers generating less than us\$10,000/yr. income from Golden Rice. This is known as the Humanitarian Project. Zeneca has retained all commercial rights in all countries and will donate support to the inventors in the Humanitarian Project.¹⁵

While Golden Rice, if released to the public, is to be dedicated to a humanitarian endeavor, Syngenta's position in securing property protection for their innovation is no different from that of RiceTec with its Kasmati rice. RiceTec, like Syngenta, is a private firm whose responsibility is to make profits in a competitive, international rice market. In order to remain viable, biotechnology firms must stay ahead of the competition and they do this by making sure that intellectual property regulations incorporate their innovations. For example, without TRIPS, the U.S. rice industry would probably be in a situation similar to that in the 1980s and 1990s.

U.S. rice developers stay ahead of the competition in the international market because current intellectual property governance provides protection for transnational corporations in such a manner as to eliminate the competition from smaller firms. Real life competition, the ability to survive in the marketplace, relies on the ability to legislate and enforce the marketplace. The traditional perspective on the economy is that the state's role be minimized.

But, as the U.S. developers of rice technologies have learned, when the market was left unsanctioned, foreign competitors were winning the favor of U.S. consumers. The international economic governance institutions retooled intellectual property regulation, under the pretext of preserving the innovative nature of capitalism, with TRIPS. TRIPS compels WTO members to respect the intellectual property claims of multinational corporations. Rural sociologist Philip McMichael explains:

Global corporations are empowered by [TRIPS], for example, to patent genetic materials such as seed germplasm, potentially endangering the rights of farmers to plant their crops on the grounds of patent infringement. This is an extraordinary form of expropriation of genetic resources developed by peasants, forest dwellers and local communities over centuries of cultural experimentation.¹⁶

Civic Agriculture

To understand the effects companies like RiceTec have on the global community, we must draw connections between the WTO's enforcement of rice patents, the intent of private firms to dominate the rice market, and the harmful social consequences of such domination. In the effort to abolish such domination in the food industry, many different types of groups have begun organizing around specific principles, with a shared objective to democratize food production. Some key terms have become commonplace in their agenda: civic agriculture, local food, sustainable development, permaculture, community supported agriculture, and organic food. Anthropologist Laura DeLind has argued that the term civic agriculture best represents the activities and objectives of participants in these many and wide-ranging democratic organizing efforts. She explains:

What distinguishes 'civic agriculture' from other alternative strategies and development paradigms designed to counter the excesses and inequities of a global food supply is its ideological flexibility...Because of its inclusive nature, civic agriculture can encompass the context and culture of citizenship as an organic resource in its own right. The melding of producers and consumers into earth-bound citizens embraces the practice of personal and interpersonal expression, communication and conflict resolution...quite apart from prescribed outcomes and quantifiable goals.¹⁷

There is an increasing breadth of organizations dedicated to developing a civic agriculture.¹⁸ Their activities range from growing vegetables in urbanized areas, providing technical gardening assistance, performing community outreach, offering informational

courses on starting a community gardening endeavor and analyzing global food production. This is not to delude ourselves into ignoring the obstacles to civic agriculture, but to acknowledge the historical fact of the ability of human agency to understand and analyze world-systems and then organize behavior in such a way as to transcend the inequities of an agribusiness dominated global food supply.

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U.S. Imperial Strategy in the Middle East

GILBERT ACHCAR

The Turning Point

U.S. Middle Eastern strategy for the decade 1991–2000 had run up against its limits on both of its main fronts: the Israeli-Palestinian front, and the Arab-Persian Gulf.

On the Israeli-Palestinian front, it had become clear that the “peace process” had run aground. Only a major concession by one of the two sides could set it afloat again, given that their divergences concerned issues that were fundamental for both. From Ehud Barak’s point of view, which Clinton supported, the Palestinian leadership had to accept the “generous offer” that Barak had made at Camp David. In the absence of any broad consensus on the Israeli or Palestinian side, Barak’s offer corresponded to a version of a “settlement” that Washington considered satisfactory.

The direct inspiration for Barak’s offer was the agreement negotiated in October 1995, just before Yitzhak Rabin’s assassination, by the two men principally responsible for negotiating the Oslo accords: Yossi Beilin, at the time working under Shimon Peres at the Israeli foreign ministry, and Mahmoud Abbas, alias Abu Mazen, a member of the Palestinian leadership. Their agreement foresaw that Israel would keep settlements in the territories occupied in 1967, both in an area that Israel would annex and in the remaining Palestinian area. The territory of the “Palestinian state” would be cut up into separate enclaves controlled by the Israeli army, which would maintain strategic positions there. Israel would keep the part of Jerusalem that it had annexed in 1967, while the Palestinian capital would be in the Jerusalem suburb of Abu Dis. Finally, Palestinian refugees would receive international

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compensation and a "right to return" to the "Palestinian state."¹

At Camp David Arafat had argued, rightly, that he could never make the base of his own Fatah organization, let alone the Palestinian people as a whole, accept this kind of "settlement." Both Washington and the Israeli Labor Party drew the conclusion that the way out of the impasse was to reduce Palestinian resistance and demands by force. This conclusion induced Barak to authorize Ariel Sharon to commit his provocation at Jerusalem's Haram Al-Sharif on September 28, 2000, thus provoking a Palestinian uprising. The violence of the repression with which Israel responded to this Second Intifada—at Barak's orders—tended to radicalize it, in such a way as to create the conditions for its brutal suppression. This was supposed to make the Palestinians give in and accept the Camp David conditions. The Palestinians for their part, poorly led by an autocrat at the end of his tether surrounded by corrupt bureaucrats, fell into the trap of "militarizing" the Intifada.

A broad front thus took shape, including Washington as well as all the major Israeli political currents, all of whom agreed on the goal of drowning the Palestinian rebellion in blood. With this as the task, no one was better suited to carry it out than Sharon, a general with an impressive record as a war criminal. Something that had seemed unthinkable only a few years earlier happened: one of Israel's most extremist politicians, a man whose fanaticism had managed to exasperate Menachem Begin himself, took over the leadership of Likud and won the Israeli elections in February 2001. Sharon settled down to the task of breaking the Palestinians' spirit of resistance, with the more fundamental goal of provoking them to leave their territories en masse. To this end he worked to make Palestinians' living conditions unbearable for as long as possible. He thus resorted systematically to provocations, in the spirit that had brought him to power, notably by carrying out "extrajudicial executions" of leaders of the Palestinian groups that were most determined to react: the Islamic fundamentalists.

For Sharon the Oslo accords as well as the Beilin-Abu Mazen accords, including the version presented at Camp David, were all unacceptable. His own vision of a settlement swings back and forth between his optimal solution of "transfer" and the maximum set of "concessions" that he is prepared to accept. "Transfer" is the Israeli euphemism for expelling the Palestinians from their territories, i.e., a new edition of what happened in 1948. This is what Sharon, like his extreme-right coalition partners, fervently desires. But, if necessary, he would be willing to accept a less "ideal" solution, reducing the plan proposed by Yigal Allon to three separate, tightly controlled Palestinian enclaves—three Palestinian concentration camps, in short—including a total of only 42 percent of the West

Bank land occupied in 1967. This option, which Sharon laid out when his party came to power in 1977, would in fact go together with a massive but less than total "transfer." The so-called security wall, whose construction Sharon began in June 2002 after his predecessors had threatened to do so, fits in very clearly with this sinister perspective.²

This same Sharon—who has never hidden his ideas—presided over a coalition government including the Labor Party until November 2002, a coalition responsible for the worst episodes of the brutal war waged on the Palestinians.³ He also benefited from the "benign neglect" of George W. Bush's administration, inaugurated only one month before Sharon's own election. The connivance among the three parties—the Likud under Sharon, the Zionist Labor Party, and the U.S. administration—was a clear expression of their convergence toward a common objective: crushing any spirit of Palestinian resistance. Their divergences were put off to a later date, after the common objective had been reached.

In the Arab-Persian Gulf, the other major front in U.S. Middle East strategy, or rather on a part of this front, another strategic shift occurred in 2001. "Double containment" was replaced with single containment, directed at Iran. Washington hoped—encouraged by the rise of popular protest—that the Iranian regime would crumble the way the Eastern European regimes had. In the case of Iraq containment gave way to military overthrow, designated by the euphemistic name "regime change."

George W. Bush's team entered office in January 2001 with the firm intention of overthrowing the regime in Baghdad. Bush had expressed this intention himself during his presidential campaign. Several members and coworkers of his administration agreed with him, to the point of having jointly petitioned Bush's predecessor, Clinton, in January 1998 to this effect. The petition was organized by the Project for the New American Century, a reactionary think tank whose influence on the Bush administration has been widely noted. The fact that 11 out of 18 signers of the petition that called on Clinton to overthrow the Iraqi regime by military force later found themselves associated with the Bush administration,⁴ at the Pentagon in particular, could easily have given the impression of a conspiracy, had their project not been proclaimed so openly.

George W. Bush's administration, like his father's administration, which waged the first U.S. war against Iraq, is as tightly linked to the oil industry as any administration in history. At the risk of annoying those who react to any explanation of U.S. foreign policy in terms of economic interests, and oil interests in particular, with cries of "reductionism": the oil lobby has traditionally played a key role in formulating U.S. foreign policy, at the very least since the Second World War.⁵

Some administrations are more sensitive than others to oil company influence, however. The administration of the younger Bush, whose presidential campaign had all the oil and gas industry's chief companies (including of course ExxonMobil, BP Amoco, El Paso, and Chevron) among its main donors, is certainly one of the most sensitive. Besides his own personal and family ties to the industry, Bush appointed people with equally close or closer ties to it to key posts in his administration, including Vice President Dick Cheney (Halliburton) and National Security Adviser Condoleezza Rice (Chevron).

As it happens there was a sharp rise in oil prices (and in gas prices at the pump in the United States) during the presidential campaign year 2000. Since the imposition of the embargo on Iraq and throughout the years 1991-1999, nominal prices of crude oil⁶ had stayed under their 1990 level (\$22.26 a barrel), which was in turn 35 percent below the 1974 price when adjusted for inflation.⁷ The situation turned around in 2000, with a jump in nominal prices from \$17.47 a barrel in 1999 to \$27.60 a barrel (though even this price was lower in real terms than the 1990 price).⁸

More important, Bush's team shared the U.S. ruling class's general concern about the future of the oil market and the prospect that hydrocarbon sources will gradually dry up.⁹ The very influential Center for Strategic and International Studies (CSIS) in Washington expressed this concern most clearly in a November 2000 report made public in February 2001 under the title, *The Geopolitics of Energy into the 21st Century*. According to this report, world energy demand should increase by over 50 percent during the first two decades of the 21st century.

The Persian Gulf will remain the key marginal supplier of oil to the world market, with Saudi Arabia in the unchallenged lead. Indeed, if estimates of future demand are reasonably correct, the Persian Gulf must expand oil production by almost 80 percent during 2000-2020, achievable perhaps if foreign investment is allowed to participate and if Iran and Iraq are free of sanctions.¹⁰

The report underscored the "fundamental contradiction" between this need and Washington's policies:

Oil and gas exports from Iran, Iraq, and Libya—three nations that have had sanctions imposed by the United States or international organizations—are expected to play an increasingly important role in meeting growing global demand, especially to avoid increasing competition for energy with and within Asia. Where the United States imposes unilateral sanctions (Iran and Libya), investments will take place without U.S. participation. Iraq, subjected to multilateral sanctions, may be constrained from building in a timely way the infrastructure necessary to meet the upward curve

in energy demand. If global oil demand estimated for 2020 is reasonably correct and is to be satisfied, these three exporters should by then be producing at their full potential if other supplies have not been developed.¹¹

For the Bush administration, as in fact for U.S. capitalism as a whole, the need to put an end to the embargo imposed on Iraq was becoming urgent. It was time to make possible reconstruction and modernization of Iraq's oil infrastructure—meaning several years of investments and work. Iraq sits on the second largest oil reserves in the world after the Saudi kingdom; Washington's goal was to allow Iraq to double and then triple its production (up to its estimated capacity) during the first decade of the new century, so as to ward off an oil crisis during the following decade. Underlying this concern was the principle according to which a substantial margin of flexibility in Saudi production—a safety margin between the kingdom's actual production and its production capacity¹²—must be maintained. This is crucial to the stability of the world oil market under supervision from the United States, and constitutes “the cornerstone of its oil policy.”¹³

Bush's Windfall: September 11, 2001

It was thus becoming urgent to create the conditions for lifting the embargo on Iraq. There were essentially two preconditions. First, Saddam Hussein had to be overthrown and replaced by a government under U.S. control. Without this “regime change” Washington would not contemplate moving to lift the embargo. Paris and Moscow had been calling for some time to lift the embargo on the Ba'athist regime, precisely because it was in their interests and contrary to Washington's.

Baghdad had granted its two privileged partners—historically France and Russia—major oil concessions whose implementation depended on ending the embargo. Given the magnitude of what was at stake in Iraq—the huge market for rebuilding the country, devastated as it was by 20 years of war and embargo, in addition to its gigantic oil resources—it was out of the question for Washington, backed by London for identical reasons, to hand it all on a silver platter to Paris and Moscow.

The Bush administration's only options—like the Clinton administration's before it—were either maintaining the embargo or securing U.S. control of Iraq. To make this last, more and more pressing option possible, another condition had to be fulfilled, however: it had to be politically possible, essentially in terms of U.S. domestic politics, to invade Iraq and keep the country under direct U.S. occupation and tutelage. In truth, the one and only sure guarantee of keeping Iraq under Uncle Sam's thumb is ruling the

country directly from Washington.

The reason is that Iraq is not located in Eastern Europe, but rather in the one part of the world where popular feeling is most hostile to the United States. In the absence of any U.S. ideological hegemony that would ensure Iraq's ongoing, guaranteed dependence on the United States, the country had to be placed under some original form of trusteeship. Since the elder Bush had been politically incapable of achieving this, he had preferred to let Saddam Hussein bloodily repress the March 1991 popular rebellion rather than allowing the triumph of an Iraqi revolution that would not have been under Washington's control. Clinton, constrained by the Republican opposition's exploitation of the Lewinsky scandal, was certainly not able to invade and occupy Iraq either, when the crisis around the UN inspectors provided him with a suitable pretext in 1998.

In this context, September 11, 2001, came as a terrific windfall for the Bush administration. As with Saddam Hussein in 1990, one could say that if Osama bin Laden had not existed he would have had to be invented—for Washington's benefit. The spectacular blow struck by Islamic fundamentalists, former U.S. allies who had become its sworn enemies, created such a huge political trauma in the United States that the Bush administration thought it was possible at last, for the first time, to break once and for all with the "Vietnam syndrome" and return to the unbridled military interventionism of the first Cold War decades.

We know from investigative reports and interviews that some members of Bush's team wanted to seize the occasion immediately to go after Iraq, although they knew full well—whatever they claimed—that Baghdad had nothing to do with the men who had attacked the World Trade Center and Pentagon. There was a debate inside the administration between proponents of the "Iraq first" option (like Donald Rumsfeld) and the "Afghanistan first, Iraq later" option (like Colin Powell). The principle of invading Iraq eventually had long been a point of consensus. For obvious political reasons, the president chose the second option.

The invasion of Afghanistan was also a chance for the Bush administration to carry out a project it had cherished since the final collapse of the Soviet Union. But establishing a direct U.S. military presence in the heart of ex-Soviet Central Asia had seemed even more improbable than a U.S. occupation of Iraq.¹⁴ A military presence in the heart of the Eurasian continental mass joining Russia to China—two countries tempted to ally with each other in order to resist U.S. hegemonic pressure more effectively,¹⁵ or even to ally with Iran as well—had evident geostrategic value. Besides, a U.S. military presence in Central Asia and the Caspian basin (in

Uzbekistan, Kyrgyzstan, Georgia and so on) fit into its global and Middle Eastern strategy of taking control of sources of oil, supplemented in this particular case by natural gas.

In fact the previously cited CSIS report, while noting that Caspian oil would be "important at the margin but not pivotal,"¹⁶ indicated that foreseeable increased demand for natural gas would raise the strategic value of this energy resource in years to come. The region made up of Eastern Europe and the whole of the former Soviet Union holds only a bit more than 6 percent of the world's proven oil reserves, even if estimated reserves are sometimes believed to be much greater. By contrast, the region holds more than 30 percent of the world's proven natural gas reserves.¹⁷

The central objective of the Afghanistan war, besides destroying the al-Qaida network, was in fact U.S. strategic implantation in Central Asia and on the shores of the Caspian Sea. This explains the low level of interest in Washington in controlling the Afghan interior or in building the promised "modern" state, to be led by its loyal vassal Hamid Karzai. The United States knows quite well in any event that the stakes are too small in Afghanistan to justify the enormous financial and military investment that would be needed to try to control this country in reality—without any guarantee of success. Afghanistan's reputation as indomitable destined it to be the prey of the warlords Washington relied on to "liberate" it.¹⁸ The war against the Taliban-al-Qaida alliance actually provided the opportunity, along with Vladimir Putin's miscalculations and illusions, which allowed the U.S. government to accomplish this ultimate extension of its imperial military network softly, behind the back of U.S. public opinion.

Once the Afghan operation had been more or less completed, the Bush administration turned to the main course: Iraq. In this case, given how much is at stake, Washington has definitely decided to make a huge effort in order to rebuild an Iraqi state that would be its loyal vassal and capable of ensuring neocolonial order under U.S. supervision and the protection of U.S. troops. This perspective was even the *sine qua non* for invading the country and overthrowing Saddam Hussein, as we have already explained. The Bush administration's curt attitude toward Paris in particular expressed its determination to exclude France from any share in the booty. Washington knew that France has some major trump cards in its rivalry with the United States: its long experience with the Iraqi market and its standing among Arab peoples, which contrasts sharply with the general hostility to the U.S.-British tandem.

The "Quagmire"

The Bush administration, and above all Rumsfeld's team at the

Pentagon, committed the monumental error of underestimating the great difficulty of the task and overestimating the means that they really had at their disposal. These difficulties were entirely predictable, and many people—including the present author—had predicted them.¹⁹ Resentment of the U.S.-British occupation of Iraq, which the great mass of the country's Arab population is expressing in an increasingly visible and lethal way, is impelling Washington to speed up its search for solutions that can slow down the situation's slide into a "quagmire." This "quagmire" would resemble the Israeli army's quagmire in Lebanon more closely than Uncle Sam's old quagmire in Vietnam, incidentally. Washington is obviously improvising, in a way that the Bush administration's political adversaries are criticizing harshly. The result is already a decline in the artificial, inflated popularity that Bush had enjoyed since September 11, 2001.

The United States may have the world's most formidable army and be able to dispose of any other army. But the Bush-Rumsfeld team is discovering to its cost that its "smart" or even "brilliant" bombs, its robots and other remote-controlled or electronically programmed drones are useless when it comes to controlling masses of people. The problem is not that the United States is short of settlers or "imperialists," meaning candidates among the population of the occupying power who are prepared to go live in the conquered country and administer it, as in the glory days of the Raj. Niall Ferguson, the author of a bestseller on the defunct British Empire who made this argument in the *New York Times Magazine*, was reasoning by analogy.²⁰ He failed to see however the big difference between the British imperial epoch and our own time.

In fact, when the population of an occupied country today is hostile to an occupying force and sees it as such, it is incomparably more dangerous for the occupiers than in the 19th or even the first half of the 20th century. A century ago the great bulk of colonized peoples were often resigned to their subjugation. Since then people have taken note of the national liberation struggles that characterized the era of decolonization. In addition, levels of education and therefore of national consciousness are now at a qualitatively higher level.

Israel was able to occupy the West Bank and Gaza without too much difficulty during the two decades after 1967—before the outbreak of the first Intifada turned the occupation into a nightmare for the Zionist army—only because its occupation of the 1967 territories was and remains a genuine military occupation. Zionist colonialism is a form of settler-colonialism intended to evict the pre-existing population. The settlers are isolated from the Palestinians for security reasons, and have little in common with

the colonial administrators of former times. Only the quantitative strength of Israeli occupation troops relative to the population of the occupied territories, made possible by the size of the territories and the fact that the occupiers' territory adjoins them, has enabled Israel to keep the situation under control for so long:

These conditions are however virtually the opposite of the conditions that the occupying powers confront in Iraq, where they face a substantial population of almost 20 million people (counting only Arabs). The U.S. problem is that it does not have enough soldiers to control Iraq and at the same time maintain its imperial role in relation to the rest of the world. This is why Rumsfeld now plans to ask Congress to authorize a considerable increase in the total numbers of the U.S. armed forces,²¹ whose personnel has been much reduced since the end of the Cold War and the technological "revolution in military affairs." In light of the Iraqi people's hostility and nationalist touchiness, the essential form of U.S. presence in Iraq can only be military. U.S. civilians in Iraq are seen as the political and economic arm of an armed occupation, and therefore require military protection.

Washington is trying to extricate itself from the quagmire that its troops are sinking into by exploring the possibility of using forces from other countries, Muslim countries in particular. But the problem will not be solved as long as the troops, wherever they are from, act as auxiliaries of U.S. troops. Washington's dilemma is that changing the Iraqi population's perception of the occupying forces would require no longer using them to oversee the culling of Iraqi resources by the United States and its British allies. But that is exactly why Washington set out to occupy the country in the first place!

The myth that Washington wants to endow Iraq with a democratic government that would be a model for the whole region, the myth that the United States is replaying in Iraq the tape of Germany and Japan's post-1945 democratization, will not stand up for long to the test of events. In the two big countries defeated in the Second World War, sizable capitalist classes with ideological hegemony over their societies were ready to collaborate with the U.S. occupier and rebuild their countries under its tutelage and with its aid—all the more willingly because they lived in terror of the "communist" threat. While allied with the United States, they were still capable of governing on the basis of genuine electoral majorities.

Nothing comparable exists in Iraq today. The effects of the Iraqi bourgeoisie's very long confinement in the iron collar of an omnipotent, semi-fascist state apparatus further aggravate the structural weakness characteristic of third world bourgeoisies in

general. There are no reliable U.S. allies in Iraq with any real credibility among, not to speak of ideological hegemony over, the great Arab majority of the population. Iraq, like other Middle Eastern countries, thus only confirms what Samuel Huntington called "the democracy paradox: adoption by non-Western societies of Western democratic institutions encourages and gives access to power to nativist and anti-Western political movements."²²

This is a "paradox" only in the eyes of those who believe that democracy goes hand in hand with submission to the West. Anti-U.S. resentment among Muslim peoples, which is even more deeply felt than among other peoples of the third world, is the result of a long history of oppression. The fact that Western domination is identified with the hated despotic regimes that it depends on,²³ and with the state of Israel, has kept this resentment alive up to the present day. So it is entirely natural that if the majority of the people could express itself freely and truthfully at the ballot box in Muslim countries, it would elect governments hostile to Western domination.

Iraq is no exception to this rule; quite the contrary. Consequently there are only two possibilities. Either Washington will keep the country under its rule by brute force, exercised directly or through the mediation of puppets despised by the people and "legitimized" by a travesty of democracy, on the model of what it is doing in Afghanistan; or the Iraqis will democratically choose their own government and elect leaders hostile to continuing U.S.-British control of their country's resources. The "democratic" ideological delirium of a few "neoconservatives" in the United States will not count for much next to the economic interests that are at stake in Iraq—even if these "neocons" really do naively believe in their own ideological discourse, which is very far from certain.

Events on the Israeli-Palestinian front since the official end of the war in Iraq strikingly confirm the rule laid out above. In the Palestinian case, Washington is not directing its "democratic" reproaches at a bloody tyrant but at Yassir Arafat, the only man in the Arab world with a status comparable to that of a head of state who has been elected through a process that was relatively democratic and enjoys the real support of a majority of his own people. The United States' "democratic reform" has consisted in imposing on the Palestinians and their elected president a "prime minister" whom the overwhelming majority of Palestinians rejected as a new Quisling. This "prime minister" was—surprise!—Mahmoud Abbas, alias Abu Mazen, the same one who accepted the 1993 Oslo accords and the 1995 agreement with Yossi Beilin.

The second Bush administration, like the first, needs to stabilize U.S. regional hegemony by clearing all obstacles out of the way to

establishing a Pax Americana in the Middle East. It therefore needs, like its predecessor, to move toward a settlement of the Israeli-Palestinian conflict. To this end it has published its "road map" and made clear to everyone in the region that it means to impose it. Strengthened by its new, direct hold on the region from occupied Iraq, the U.S. administration, more even than in 1991, has declared itself ready to put strong pressure on its Israeli ally.

But Sharon is stalling, as Shamir did in 1991. He pretends to yield to Washington's demands by making minor or purely formal concessions while continuing to provoke the Palestinians. He is counting on the fact that 2004 is a presidential election year in the United States, and U.S. administrations are generally not much inclined to put strong pressure on Israel during election years. Furthermore, the more the U.S. occupation of Iraq turns into a quagmire, the more the Bush administration will see dealing with Iraq as its top priority; it will thus be tempted to give up on chasing two Middle Eastern hares at once.

So what remains of the prospects for "democracy" in the Middle East? In fact the term "democracy" has increasingly given way in official U.S. statements to the term "freedom," the term that was used by the way to name the invasion of Iraq: "Iraqi Freedom." But what kind of "freedom" is this? George W. Bush has not delayed passing on the good news to the peoples of the Middle East: in a speech on May 9, 2003, he proposed to them "the establishment of a U.S.-Middle East free trade area within a decade!"²⁴

Meanwhile the mission of overseeing the restructuring of the Iraqi oil industry has been assigned to Philip Carroll, former CEO of the U.S. branch of Royal Dutch/Shell. It would be hard to think of a better symbol of the U.S.-British alliance. Carroll's job will consist of carrying out the decisions made at a hush-hush meeting held in London by the U.S. State Department with the designated future heads of the Iraqi oil industry on April 5, just before the fall of Baghdad.²⁵ Central to the London decisions were the "production sharing agreements" that U.S. and British oil companies mean to impose on Iraq. The agreements will be a model—real, not mythical, this one—for agreements with other Middle Eastern countries. The goal is to go back to the "participation" that the Saudi oil minister proposed 30 years ago as an alternative to nationalizations!

A Short Afterword

The lines above were written in the summer of 2003. Since then, the situation has moved in a very predictable way: the quagmire has been getting deeper day after day, with a steady increase in anticoalition attacks and U.S. military casualties. The pitiful arrest of serial mass murderer and Washington's former buddy, Saddam

Hussein, could not reverse the trend. The promised "democracy"—judging by the plans for a "provisional government" decided upon by U.S. proconsul Paul Bremer and the "Governing Council" that he appointed—proved to be nothing but a plan to continue Washington's "rule by brute force, exercised... through the mediation of puppets despised by the people and 'legitimized' by a travesty of democracy." A travesty which resembles true democracy so little that its main opponent is a Grand Ayatollah, Ali Sistani, who is stubbornly demanding free elections to enable the Iraqi people to choose their government by themselves. Thus, Washington, which pretended to bring civilization to the (backward) Iraqi Muslims is being taught lessons in democracy by a Muslim theologian! As for the great benefits of economic freedoms and privatizations, they are so unpopular among Iraqis that they are increasingly put on the shelves for fear of fueling mass resentment and increasing thereby the ranks of what even U.S. sources do not hesitate to call "the resistance."²⁶

January 1, 2004

Notes

1. On the Beilin-Abu Mazen agreement as well as the road traveled from Oslo to Sharon, see Tanya Reinhart's *Israel/Palestine: How to End the 1948 War* (New York: Seven Stories, 2002).
2. Joshua Hammer, "Words & Deeds," *Newsweek* (international edition), June 9, 2003.
3. Elected leader of the Labor Party for one year in June 2003, Shimon Peres reportedly aspires to negotiate his return to government through a new coalition with Sharon.
4. Rumsfeld, Wolfowitz, Abrams, Armitage, Bolton, Dobriansky, Khalilzad, Perle, Rodman, Schneider, and Zoellick.
5. This is not the place to prove this assertion. We mention only that the Rockefeller group has played a central role in U.S. foreign policy. David Rockefeller was for many years president of the Council on Foreign Relations, the main U.S. foreign policy think tank. His company finances the council together with other companies like Bechtel, the big construction firm that has managed to ingest all sorts of contract tidbits in the oil-producing countries and is now in charge of rebuilding Iraq.
6. OPEC Reference Basket price.
7. OPEC, *Annual Statistical Bulletin 2001*, 119.
8. The nominal price dropped back again the following year (to \$23.12) while remaining above the 1990 price. But it rose once again in 2002 (to \$24.36) and reached \$27.87 a barrel on July 16, 2003, despite record Russian oil exports.
9. See Michael Klare, *Resource War* (New York: Henry Holt, 2002).
10. CSIS Panel Report, *The Geopolitics of Energy into the 21st Century* (Washington: CSIS, 2000), "Executive Summary," xvi.

11. CSIS, *Geopolitics*, xix. Incidentally, the same considerations explain the Bush administration's eagerness to mend fences with Libya, and their hesitating attitude toward Iran.
12. The kingdom has an unused, installed capacity today of 3 million barrels a day, without counting its much more considerable potential capacity.
13. Edward Morse and James Richard, "The Battle for Energy Dominance," *Foreign Affairs* 81, no. 2 (March-April 2002), 20. See also the debate around this article, "Does Saudi Arabia Still Matter?," *Foreign Affairs* 81, no. 6 (November-December 2002), 167-78.
14. See Gilbert Achcar, "Operation Oil," and "War Drive" in *Eastern Cauldron* (New York: Monthly Review, forthcoming). See also Achcar, "Le nouvel ordre impérial ou la mondialisation de l'empire états-unien," 15-24, in Achcar ed., *Le nouvel ordre impérial, Actuel Marx*, no. 33, 1st semester 2003, as well as John Bellamy Foster, Harry Magdoff, and Robert McChesney, "U.S. Military Bases and Empire," *Monthly Review* 53, no. 10 (March 2002).
15. On this aspect of the situation, which goes beyond the scope of this article, see Achcar, "The Strategic Triad: The United States, Russia and China," and "Rasputin Plays at Chess: How the West Blundered into a New Cold War," in Tariq Ali ed., *Masters of the Universe?* (London: Verso, 2000). See also Achcar, "A trio of Soloists," *Le Monde Diplomatique*, December 2001.
16. CSIS, *Geopolitics*, xvi.
17. OPEC, *Annual*, 10, 12.
18. The current situation is quite similar to the situation after the mujahedeen overthrew the Najibullah regime in 1992; see Achcar, "After the Fall of Najibullah," in *Eastern Cauldron*.
19. Achcar, "Washington and London: The Problems Have Only Just Begun," and "Letter to a Slightly Depressed Antiwar Activist," in *Eastern Cauldron*.
20. Niall Ferguson, "The Empire Slinks Back," *New York Times Magazine*, April 27, 2003.
21. Thom Shanker, "Officials Debate Whether to Seek a Bigger Military," *New York Times*, July 21, 2003.
22. Samuel Huntington, *The Clash of Civilizations* (New York: Touchstone, 1998), 94.
23. Achcar, "The Arab Despotic Exception," in *Eastern Cauldron*.
24. George W. Bush, "Remarks by the President in Commencement Address at the University of South Carolina," Washington: Office of the Press Secretary, the White House, May 9, 2003.
25. Richard Mably and Tom Ashby, "Iraqis Agree on Role for Oil Majors, OPEC," Reuters, April 5, 2003.
26. Rajiv Chandrasekaran, "Attacks Force Retreat From Wide-Ranging Plans for Iraq," *Washington Post*, December 28, 2003.

Poverty and Inequality in the Global Economy

MICHAEL D. YATES

Capitalism is hundreds of years old and today dominates nearly every part of the globe. Its champions claim that it is the greatest engine of production growth the world has ever seen. They also argue that it is unique in its ability to raise the standard of living of every person on earth. Because of capitalism, we are all “slouching toward utopia,”—the phrase coined by University of California at Berkeley economist J. Bradford DeLong—slowly but surely heading toward a world in which everyone will have achieved a U.S.-style middle-class life.¹

Given the long tenure of capitalism and the unceasing contentions of its adherents, it seems fair to ask if it is true that we are “slouching toward utopia.” Let us look at three things: the extent of poverty and inequality in the richest capitalist economy—that of the United States; the extent of poverty and inequality in the poor countries of the world; and the gap between those countries at the top of the capitalist heap and those at the bottom.

The United States is often referred to as a nation dominated by the middle class and one in which it is relatively easy for a poor person to become a person of means. Here, it is said, equality of opportunity rules. It is hard to know what phrases like “middle class” and “equality of opportunity” mean, but it is fair to think that such a society ought not to be one in which there is widespread poverty and ought to be one in which people do indeed have a great deal of economic mobility.

The data on poverty and inequality of income and wealth do not square very well with this image. In the United States, the federal government had defined a “poverty level of income,” one below which families are defined to be poor. It is an income below which families would find it difficult to live without serious problems and which would place them in real danger when faced with any sort of

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economic crisis, such as a sick child or an injury at work. This official poverty level of income is equal to three times the minimum food budget calculated by the Department of Agriculture, a very modest standard with numerous restrictive and unrealistic assumptions built into it, for example, that poor families will be able to buy food at the lowest unit price and will know how to convert the cheapest food into nutritious meals. In 2002, this was \$18,392 for a family of four, or \$12.60 per person per day. In 2002, 34.6 million persons lived in poverty, 12.1 percent of the population. The incidence of poverty was 24 percent for blacks and 21.8 percent for Hispanics. In 2001 (I don't have data for 2002), 35.2 percent of black children under six lived in poverty, as did 29.1 percent of Hispanic children under six. These numbers rise and fall over time and while they have been higher in the recent past, they are still remarkably high when we consider the enormous productive capacity of the U.S. economy and the more than 200 years in which this capacity has steadily risen. And if we used a more realistic definition of poverty—such as one-half the median income, a poverty definition typically used to compare the rich capitalist economies—the incidence of poverty would increase dramatically to 17 percent (in 1997), or more than 45 million persons.²

What are the chances that this extensive poverty could be eliminated? Not very high, given that this poverty coincides with large and growing inequality of both income and wealth, inequalities ingrained in the laws of motion of capitalism.

In the United States in 2000, income inequality was greater than at any time since the 1920s, with the richest 5 percent of all households receiving six times more income than the poorest 20 percent of households, up from about four times in 1970. A study by economist Paul Krugman (who has been skillfully assailing the Bush administration in his *New York Times* column) estimated that perhaps as much as 70 percent of all of the income growth in the United States during the 1980s went to the richest 1 percent of all families. With respect to wealth, in the United States in 1995, the richest 1 percent of all households owned 42.2 percent of all stocks, 55.7 percent of all bonds, 44.2 percent of all trusts, 71.4 percent of all noncorporate businesses, and 36.9 percent of all nonhome real estate. As with income inequality, this inequality has been increasing, at least for the past 20 years.³

Great and growing inequality mocks the notion of equality of opportunity. Consider a thought experiment:

In Pittsburgh, Pennsylvania,...there is an extraordinarily wealthy family, the Hillman's, with a net worth of several billion dollars. One of their homes, along once fashionable Fifth Avenue, is a

gorgeous mansion on a magnificent piece of property. About three miles east of this residence is the Homewood section of the city, whose mean streets have been made famous by the writer, John Edgar Wideman. On North Lang Street there is a row of three connected apartments. One of the end apartments has been abandoned to the elements—to the rodents and the drug users... Poverty, deep and grinding, is rampant on this street and in this neighborhood, which has one of the nation's highest infant mortality rates.

Consider two children, one born in the Hillman house and another born in the North Lang Street apartment. In the former, there are two rich and influential parents, and in the latter there is a single mother working nights with three small children. Let us ask some basic questions. Which mother will have the best health care, with regular visits to the doctor, medicine if needed, and a healthy diet? Which child is more likely to have a normal birth weight? Which child is more likely to get adequate nutrition and have good health care in early childhood? If the poor child does not have these things, who will return to this child the brain cells lost as a consequence? Which child is more likely to suffer the ill effects of lead poisoning?...If the two children get ill in the middle of the night, which one will be more likely to make it to the emergency room in time?...

As the two children grow up, what sort of people will they meet? Which will be more likely to meet persons who will be useful to them when they are seeking admission to college or looking for a job or trying to find funding for a business venture?...Which will go to the better school? Which will have access to books, magazines, newspapers, and computers in the home?...Which one will be more likely to have caring teachers who work in well-equipped and safe schools? Which one will be afraid to tell the teacher that he does not have crayons and colored paper at home?...When these two children face the labor market [or course, the rich child will never have to face the labor market in the sense the poor child will], which one will be more productive?⁴

We can buttress our thought experiment with empirical evidence. It now appears clear that in the United States—whose politicians and pundits are always touting the myth that “you can be anything you want to be,”—it is “increasingly apparent that the secret to success is to have a successful parent.” Recent studies tell us that if your parents’ income is in the top 20 percent of the distribution of family incomes, you have a 42.3 percent chance of ending up at the top too, but only a 6.3 percent chance of falling into the bottom 20 percent. If your parents’ income is in the bottom 20 percent, you have only a 7.3 percent chance of ending up in the top 20 percent. No doubt these correlations would be still stronger if we considered

wealth as well as income. If your parents were in the top 1 percent of the income distribution (and therefore certainly had a lot of wealth, something which might not be true parents at the lower end of the top 20 percent), the chances of you ending up in the top 20 percent would surely be higher than 42.3 percent.⁵

Compounding the unlikelihood of eliminating poverty is the fact that inequality in and of itself generates many socially undesirable outcomes. Inequality research has found that if we consider two states in the United States or two countries, each with the same average income, what we might call "social health" will be poorer in the state or country with the greater income inequality. Put another way, equally poor people will be worse off in terms of many social indicators if they live in the state or country with the greater income inequality. Using as a measure of inequality the share of income going to the poorest 50 percent of households in each U.S. state, researchers found that this share varied inversely (in the opposite direction) with the state's mortality rate. In addition,

This measure of inequality was also tested against other social conditions besides health. States with greater inequality in the distribution of income also had higher rates of unemployment, higher rates of incarceration, a higher percentage of people receiving income assistance and food stamps, and a greater percentage of people without medical insurance. Again, the gap between rich and poor was the best predictor, not the average income in the state.

Interestingly, states with greater inequality of income distribution also spent less per person on education, had fewer books per person in the schools, and had poorer educational performance, including worse reading skills, worse math skills and lower rates of completion of high school.

States with greater inequality of income also had a greater proportion of babies born with low birth weight; higher rates of homicide; higher rates of violent crime; a greater proportion of the population unable to work because of disabilities; a higher proportion of the population using tobacco; and a higher proportion of the population being sedentary (inactive).⁶

Great and growing inequality saps the political power of those at the bottom, making it more likely that the social welfare programs which help to alleviate the harmful consequences of poverty will be gutted, while at the same time making it more likely that policies which further favor the rich will be put in place. The poor are increasingly filled with hopelessness and despair as they contemplate the yawning gap between them and those at the top.⁷

Although there is great poverty and inequality in the richest

capitalist country, this cannot compare to the levels of both of these to be found in the vast majority of the world's economies, which are both capitalist and poor. The World Bank estimates the number of persons in different countries and in the world as a whole who subsist on less than \$1 and \$2 per day. In Nigeria, for example, in the early 1990s, 90.8 percent of the population lived on \$2 per day or less; in India the figure was 86.2 percent in 1997. In a world population of some 6 billion persons, the World Bank estimates that 2.8 billion survive on \$2 per day or less (about 45 percent); 1.2 billion lived on \$1 (about 20 percent) per day or less.

The World Bank also uses a number comparable to the U.S. poverty level of income. Remember that the U.S. level for 2002 translates into \$12.60 per person per day. The Bank's level for poor countries is now a little more than \$1 per day. Using this number, it claims that poverty diminished worldwide over the 1990s. However, this claim is suspect. It is true that \$1 per day might go further in a poor country because prices are cheaper, so that while \$1 per day in the United States makes a person obviously destitute, such may not be the case in a very poor country. If over time, prices fall in a poor country, then, other things equal, the number of persons living in poverty will fall. The problem, however, is that when the World Bank speaks of prices in a poor country, it means an index of all prices and not the prices of the things very poor people buy. In general, the prices which are relatively lowest and which have declined most in poor countries are those of services unlikely to be consumed by the poor. As journalist George Monbiot tells us, "[The World Bank's] estimate of the purchasing power of the poor is based on the measure of their ability to buy any of the goods and services an economy has to offer: not only food, water and shelter but also airline tickets, pedicures and personal fitness training. The problem is that while basic goods are often more expensive in poor nations than they are in rich ones, services tend to be much cheaper [reflecting the tremendous pool of surplus labor in poor nations]..." He goes on to say, "But the extremely poor, of course, do not purchase the services of cleaners, driver or hairdressers." Two researchers at Columbia University estimated that if corrections were made for the problems in the World Bank's methodology, the number of persons living in absolute poverty would rise by 30 to 40 percent, completely eliminating the alleged decrease in poverty.⁸

It should be noted in connection with the World Bank's poverty level that the World Bank has been instrumental in promoting large-scale export agriculture in poor countries. Many persons living below the World Bank poverty level are subsistence peasants

operating outside the money economy. Their economic well-being is often greater than a dollar a day would indicate. As they are in effect dispossessed by Bank-promoted agriculture and move into urban areas, their money income may exceed the World Bank poverty level, but, in fact, they are considerably worse off than they were in the countryside.

Poverty on a global scale is matched by an enormous and growing inequality of incomes, a fact remarked upon in considerable detail in the November 2002 Review of the Month in this magazine. It is worth paraphrasing and supplementing what was said there. In China and India, the world's most populous nations and two of its fastest growing economies, inequality is growing rapidly. In China, once an extremely egalitarian country, income inequality is now barely distinguishable from that in the United States. China has witnessed perhaps the greatest income redistribution in history. In India, "Most of the benefits of...rapid economic growth are going to the wealthiest 20% of society." There, "350 million [persons]—more than a third of the population—live in dire poverty...In Calcutta alone, an estimated 250,000 children sleep on the sidewalks each night."⁹

World Bank economist Branco Milanovic has overseen the most sophisticated attempt to measure income inequality worldwide. Using a massive household survey covering the entire world, he found that,

the richest 1 percent of people in the world get as much income as the poorest 57 percent. The richest 5 percent had in 1993 an average income 114 times greater than that of the poorest 5 percent, rising from 78 times in 1988. The poorest 5 percent grew poorer, losing 25 percent of their real income, while the richest 20 percent saw their real incomes grow by 12 percent, more than twice as high as average world income. World inequality grew because inequality grew between and within countries. The rich nations grew richer and the poor nations grew poorer; the rich within each country grew richer at the expense of the poor. Milanovic calculated that the world income gini coefficient [a measure of inequality which increases from zero to one as inequality increases] was between .66 and a staggering .80, depending on the way you converted one currency into another.¹⁰

Buttressing Milanovic's findings, the United Nation's most recent *Human Development Report* tells us that the income of the richest 25 million Americans is the equivalent of nearly 2 billion of the world's poorest persons (2 billion is 80 times 25 million). In 1820, per capita income in western Europe was three times that in Africa; by the 1990s it was more than 13 times as high. Adding human meaning to these numbers, the report says, "The statistics

today are shaming: more than 13 million children have died through diarrhoeal disease in the past decade. Each year over half a million women, one for every minute of the day, die in pregnancy and childbirth. More than 800 million suffer from malnutrition." In addition, "For many countries the 1990s were a decade of despair. Some 54 countries are poorer now than in 1990. In 21, a larger proportion is going hungry. In 14, more children are dying before the age of five. In 12, primary school enrollments are shrinking. In 34, life expectancy has fallen. Such reversals in survival were previously rare." Economist James Galbraith tells us that, "Looking at the broad range of developing countries, the University of Texas Inequality Project finds rising inequality in most of them, falling inequality in only a few." In Vietnam, in just two years, between 1999 and 2001, the gap between the richest and the poorest nearly doubled.¹¹

Just as capitalism's proponents proclaim the reality of equality of opportunity, so too do they say that today's poor national economies have every chance of someday becoming rich. Can this be so?

The gap between the rich and the poor within countries is paralleled by that among countries. Since countries have widely different populations, a common way to compare countries is by their gross domestic product (GDP) per capita. Such a comparison shows extremely large differences among countries. At the top are what we can call "rich countries"; these are for the most part those capitalist nations which first industrialized and which early on took command, largely through conquest and colonization, of much of the rest of world, from Latin America to Africa to Southeast Asia. At the bottom are the poorest of "poor countries," those nations on the receiving end of the forced expansion of the rich nations. Countries such as the United States, Norway, Japan, Germany, and France have per capital GDPs 20 to more than 100 times greater than countries like Ethiopia, Malawi, Afghanistan, and Bolivia. It is remarkable to observe that most of the rich countries are those where capitalism first arose, while most of the poor countries have long histories of colonial and imperial domination. In terms of per capita GDP, no Latin American country ranks in the top 35, and no African country ranks in the top 55. More than one-half of the poorest 50 countries are in Africa. Sixty percent of the top 50 are either in Europe or North America.

If we use nonmoney measures of how nations are faring, we see similar differences. In the United States, life expectancy at birth for women is about 80 years, in Switzerland 82; but in Afghanistan it is 46, in Sierra Leone 39. Infant mortality per 1,000 births is 3.98 in

Norway, but it is 101 in Ethiopia.¹²

Mainstream economists have argued that the poor nations are simply on a low rung of a "development ladder," and that over time, especially if they adopt "free market" principles (basically the elimination of all barriers to the freedom of employers to try to make money, such as protective trade barriers, protective labor laws, subsidies to the poor, public enterprises, and limitations on the sale of land), they will become rich countries too. This convergence hypothesis is difficult to demonstrate. While a very few formerly poor nations, mostly in Asia, have become relatively rich ones (South Korea, for example), most have remained poor. In fact, Lance Pritchett, a World Bank economist, has persuasively argued that the world's poorest countries diverged in terms of per capita income from 1870 to 1960. The logic underlying Pritchett's methodology is interesting. He compared one of the world's richest nation, the United States, to one of its poorest, Ethiopia. He took the per capita GDP ratio for the United States and Ethiopia for 1960 (U.S. GDP per capita divided by Ethiopia GDP per capita) and noted that there could only have been convergence if the per capita GDP ratio had been larger in 1870. But for this to be true, Ethiopia's per capita GDP in 1870 would have been too low to sustain life! Therefore Pritchett concluded that there must have been divergence.

We also have good evidence that divergence continued after 1960, accelerating after 1980 when "free market" policies were introduced throughout the world on an increasing scale. Between 1980 and 2000, those countries with the highest GDPs per capita grew the most, implying that inequality among nations increased. The British magazine, *The Economist*, citing economists who believe that international inequality has decreased, argued that we need to weight each country's per capital GDP by its population. When we do this, we note that the two most populous countries, India and China, had very high average growth rates over this period, suggesting that in terms of population-weighted growth rates, worldwide inequality decreased. However, what *The Economist* failed to note was that, as we have seen, inequality within India and China rose, most notably in China. China's and India's per capita GDP grew rapidly, but the incomes of the average Chinese and Indian did not. So, in the face of this fact, it is hard to argue that inequality has fallen.

Even if we consider a poor nation that has grown more rapidly than a rich one, this relatively greater growth will have to continue for a very long time for per capita incomes to converge. Pritchett has this to say about India, a country which grew faster than the United States for a while and which is growing rapidly now:

...a few developing countries were actually "converging," that is, they were growing faster than the United States. When are these lucky "convergers" going to overtake the United States? India, for example, registered an annual average growth rate of 3 percent between 1980 and 1993. If India could sustain this pace for another 100 years, its income would reach the level of high-income countries today. And, if India can sustain this growth differential for 377 years, my great-great-great-great-great-great-great-great-great-great-grandchildren will be alive to see India's income level "converge."¹³

Given all of this, it is difficult not to conclude that inequality, both within and among nations, must be endemic to capitalism. It is not very hard to see why. Wealth in a capitalist economy is unevenly divided by definition: Capitalism is an economic system in which the nonhuman means of production (what mainstream economists call "capital") are owned by a small minority of all persons. Wealth inequality in a market economy must, again as a consequence of the nature of the system, generate income inequality. A capitalist system always "builds" on the best, that is, other things equal, those with the most to start with continue to reap the lion's share of the annual income. So, when capitalist economies are not subject to constraints and regulations, inequality will inevitably grow.

In other words, what underlies inequality is the class nature of capitalism. The owning minority has a built-in advantage compared to the nonowning minority, both in terms of economic power inside the workplace and political power in the larger society. Whenever they can, they will press their advantage to secure a still larger share of society's income. Examples are too numerous to mention.

What then sustains the growing inequality both among nations and within nations is the rising power of the owners and the declining power of the workers (and in poor countries, of the peasants, as well). If we look at the world objectively, the income of a nation tends to be more equally divided the more powerful are the workers and peasants. Where they are weak in poor countries, these countries are pulled more tightly into the grip of the rich nations and intercountry inequality rises. Inequality also rises within these nations, while the incomes of the poor sink to levels barely able to sustain life, if that. This is true even when per capita GDP rises at a high rate. Similarly, in the rich countries, the weaker the workers, the greater the inequality, and the less likely it is that workers will reach out in solidarity with their brothers and sisters in the poor nations. It is no accident that the United States has both the weakest labor movement and the most unequal income of any rich country.

Inequality in income and wealth (and all of the social indicators which are linked to these inequalities) are a profound contradiction of the capitalist mode of production. Workers and their employers presumably meet as equals in the labor market, each free to make a bargain. Yet the results of this bargain favor the employers to a striking degree.

In capitalist economies, everyone is free to make money, but it is remarkable how few do. Capitalist economies espouse egalitarian values, but the consequences of their normal operations are extraordinarily inequalitarian. The same contradiction is apparent in relationships among nations. Countries enter into free trade relationships, but the consequences of this trade are enormous disparities in per capita GDP.

A contradiction so blatant requires resolution. On the one hand, workers and peasants have been forming diverse types of organizations to reverse the system-generated inequalities. These have had varying degrees of success, managing sometimes to wring concessions from the owners and on rarer occasions succeeding in making a revolution that transforms the entire system. But on the other hand, capitalists and their multitude of hired guns try to keep the contradiction from generating actions that threaten their existence. Needless to say, force and violence are critical elements in the ruling-class arsenal, especially when revolution threatens. However, there are many other weapons, including cooptation of working-class and peasant leaders, making strategic concessions (best exemplified by the "social pact" between employers and unions in Western Europe and to a lesser degree the United States), and a vast ideological apparatus geared to convincing people that there is no contradiction at all. With respect to the last of these, we are fed a daily diet of procapitalist propaganda, complete with missing or distorted information: workers are really "associates"; the suggestion that the rich benefit in this system at the expense of the poor is denounced as the "politics of hate"; poor nations are falling further behind the rich ones because they have not sufficiently embraced the free market; and on and on.

The glaring and growing inequalities everywhere apparent in the capitalist world have yet to spawn massive resistance. In fact, in the United States, working people often support government policies clearly inimical to their interests, such as the repeal of the estate tax and income tax cuts strongly biased toward the rich.¹⁴ However, there are indications that troubles might be brewing for the rich and powerful. Under the radar screen, a kind of "social war" is being waged in poor neighborhoods around the world. While this war often involves intraclass violence, it has also terrified the elite.

Writing in *Le Monde Diplomatique*, Ignacio Ramonet tells us:

Faced with this rising tide of what the media calls insecurity, several countries—including Mexico, Colombia, Nigeria and South Africa—now spend more on fighting this social war than on national defence. Brazil spends 2% of GDP on it armed forces and more than 10.6% on protecting the rich against the despair of the poor.¹⁵

More publicized have been a wide range of social movements aimed in one way or another at addressing global inequality: armed revolutionary struggles in Colombia and Nepal; peasant movements throughout Latin America, most recently in Bolivia; movements of the poor and unemployed in countries as disparate as Argentina and South Africa; and a far-flung and wide-ranging global justice movement, encompassing campaigns against third world debt, child labor, sweatshops, trade agreements, land theft, and environmental destruction, among others.

It is impossible to tell how all of this “primitive” and more conscious protest will play out. But one gets the feeling that political struggle in the next decades might be intimately tied to the glaring and unconscionable inequality which has become the hallmark of contemporary capitalism. Under these conditions the system is unlikely to be entirely successful at keeping the lid on the boiling discontent underneath.

Notes

1. Details of DeLong's contentions, including draft material for a book, *Slouching Toward Utopia* can be found at http://econ161.berkeley.edu/TCEH/Slouch_title.html.
2. For details on poverty, see Lawrence Mishel, Jared Bernstein, and Heather Boushey, *The State of Working America, 2002-2003* (Ithaca, N.Y.: Cornell University Press, 2003), 309-56. For the most recent U.S. Census Bureau data see <http://www.census.gov>. For international comparisons using the 50 percent of median income definition, see Mishel, State, 416.
3. On income inequality, see Mishel, Bernstein, & Boushey, *State*, 33-112. The income data in the paragraph are taken from <http://www.census.gov>. The wealth data are from Doug Henwood, “Distributing the Booty,” http://www.panix.com/~dhenwood/Wealth_distrib.html. The Krugman data are from Paul Krugman, “The Rich, the Right, and the Facts,” *The American Prospect* 11 (fall 1992), 19-31.
4. Michael D. Yates, *Naming the System: Inequality and Work in the Global Economy* (New York: Monthly Review Press, 2003), 58-59.

5. Economist Alan B. Krueger reports on the relevant studies in "The Apple Falls Close to the Tree, Even in the Land of Opportunity," *New York Times*, November 14, 2002.
6. The quote is from Yates, *Naming*, 60. It is taken from Peter Montague, "Economic Inequality and Health," <http://www.korpios.org/resurgent/Inequality&Health.htm>.
7. See Helen Epstein, "Enough to Make You Sick?," *New York Times Magazine*, October 12, 2003.
8. For World Bank data on poverty, see the Bank's World Development Reports, <http://www.worldbank.org>. On the inadequacies of the World Bank's methods for calculating poverty rates, see articles available at <http://www.columbia.edu-sr793/>. The quote is from George Monbiot, "Poor but Pedicured," *The Guardian*, May 6, 2003.
9. Paul Watson, "In India, No Job is Too Small," *Los Angeles Times*, October 25, 2003.
10. The quote is from Yates, *Naming*, 57-58. The original article is Branko Milanovic, "True World Income Distribution, 1988 and 1993: First Calculations Based on Household Surveys Alone," *The Economic Journal* 112 (January 2002), 51-92.
11. For a summary of the UN Report, see Larry Elliot, "The Lost Decade," *The Guardian*, July 9, 2003. The Galbraith quote is from James Galbraith, "Globalisation and Inequality: the Economist Gets it Wrong," <http://www.openendemocracy.net/debates/article-7-30-1483.jsp>. On inequality in Vietnam, see "Vietnamese Earn More but Rich-Poor Gap Widens," <http://www.globalpolicy.org/soccon/inequal/2003/0114vietnam.htm>.
12. For a wide range of statistics on output, health, life expectancy, labor markets, and other economic indicators, see International Labor Office, *Key Indicators of the Labour Market 2001-2002* (Geneva, Switzerland: International Labour Office, 2002).
13. Pritchett's methodology and the quote are in Lance Pritchett, "Forget Convergence: Divergence Past, Present, and Future," <http://www.worldbank.org/fandd/english/0696/articles/090696.htm>. For a discussion of the growth of per capita GDPs, see Galbraith, "Globalisation."
14. For examples, see Alan B. Krueger, "Cloudy Thinking on Tax Cuts," *New York Times*, October 16, 2003.
15. Ignacio Ramonet, "The Social Wars," *Le Monde Diplomatique*, November 2002, available in English at <http://mondediplo.com/2002/11/>.

The U.S. Prison State

MARILYN BUCK

Tara Herivel and Paul Wright, editors, *Prison Nation: The Warehousing of America's Poor* (New York: Routledge, 2003), 256 pages, cloth \$80.00, paper \$19.95.

I sit in the day room/lobby waiting to be released for lunch. I read a novel in which one character, a Pole, comments to another that the Germans consider Poles to be *untermenschen*, subhuman. I look at the women around me: Latinas arguing among themselves in Spanish; a black woman making signals to someone I don't see; two white women—one of whom is stringing beads—are murmuring together. Two of these women are here because they are undocumented workers; three are incarcerated for economic offenses; the other is falsely convicted; all of us are caught inside the nightmare of an oppressive state and an expanding empire. Instead of storm trooper boots and brown shirts, those who command wear Tony Lamas cowboy boots, expensive suits, and ties—men who see in the U.S. prison establishment ways to both intensify control of the population and squeeze more profits out of late-stage capitalism.

Prison has always been the final gate in the repressive apparatus of a state. It serves the purpose of social and political control, although it manifests itself differently in different nation-states and in different political periods. Nevertheless, the prisoner is, with few exceptions, always a scapegoat and considered a deviant. Prison is not only a class weapon; it is also an instrument to control "alien" populations. In the United States, these "alien" populations are formerly colonized peoples—former slaves, Native Americans, Latin Americans, Asians, and Pacific Islanders—and they have all too often been considered the internal enemy. They are the people most needing control and are therefore the majority of those locked down in U.S. prisons.

The United States is the world's primary example of a country that deals with its social, economic, and cultural problems by incarceration. But this is its history. Prisons are the logical outcome of the country's foundation on the genocide of Native Americans, the enslavement of

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Africans, and the “manifest destiny” of imperial settlerism—from sea to shining sea.

Prison Nation is a recently-released anthology of essays on both the state of U.S. prisons and the U.S. prison state. Most of the essays were written in the new century. One more century of American prisoners. The writers are prisoners, journalists, academics, and activists. Unfortunately, none of the writers are women prisoners or ex-prisoners.

Readers are probably familiar with abominable prison conditions—rape, torture, restraint chairs, gladiator fights—from newspaper and magazine accounts. Prison and human rights activists might even have read some of the book’s essays. But what marks this collection as a whole is the first-rate discussion of these brutal circumstances and how these are the logical and normative result of incarceration itself.

The essays in sections 5, “Malign Neglect: Prison Medicine,” and 6, “Rape, Racism, and Repression,” give ample evidence of the inhumanity and cruelty of the system: Death sentences result from nonexistent or malpracticed medical care. The mentally ill are warehoused and even healthy prisoners tend to fall prey to mental illness because of the insane and brutal conditions of prison’s bedlam (see “The New Bedlam” by Willie Wisely). Prisoner rape—both rape by guards mainly of female prisoners, and by predatory male prisoners of other male prisoners—is frequently given free reign by guards.

There are other essays which detail the more subtle elements of dehumanization, ones that those who have not experienced prison either as a prisoner or as a family member or friend of a prisoner might not ever consider—such as a prisoner being warehoused far from home and family. Nell Bernstein discusses the far-reaching repercussions of long distance visiting and the need of children for their parents in two essays: “Swept Away,” and “Relocation Blues.”

The psychological trauma and cruelty generated inside the prison system filters through into everything outside of it, deforming and undermining the whole of civil society. Prison society begins to serve as a model for other organizations. In his essay “Capital Crimes,” George Winslow concludes, “Corporate power currently allows companies to create serious social problems by legal and illegal means.”

The U.S. prison state has spread its tentacles into communities and classes, which are manipulated both by the law and the lure of economic development. In “An American Seduction,” Joelle Fraser draws a portrait of a prison town in need of more inhabitants and more work. Susanville, California expected economic well-being; what it got was a supermax prison, greater pressure on its social infrastructure, and a culture of violence unexpected even among its many ranchers, hunters, and fishers. Even the night has been affected. The author’s brother describes returning home to a brightly lit prison, which has destroyed the darkness of the countryside night. “It looked futuristic, unnatural, something out of

a science fiction movie. Like some giant alien mother ship had landed."

The central theme of *Prison Nation* is the economic dynamic and roles of prisons in U.S. capitalism, that is, the prison-industrial complex. This anthology does an excellent job of analyzing and describing how the prison-industrial complex works as an integral part of U.S. capitalism by generating large profits for corporations. Essays and case studies detail how the incorporation of prisons into the system of capital accumulation was accomplished, both through changes in the criminal code and business law and the manipulation of public perceptions and fears. In "The Politics of Prison Labor," Gordon Lafer explains the interplay of political expediency, taxes, and budgets: "When the economy goes into a recession, the supply of decently paid jobs will shrink...some numbers of [the laid-off and fired] will engage in nonviolent crimes...[and end up incarcerated]....It is important to note that this cycle is not the result of a conscious conspiracy among public officials...it is, rather, *the natural result of each party pursuing its own rational interests under current conditions.*" (Italics in original.)

While the articles that explain how capital and the law work to create this expanding prison nation, there are few strategies suggested to organize to stop the abuses, to hold the socially-sanctioned criminals accountable, and to challenge more fundamentally the prison-industrial complex. A notable exception is detailed in "Campus Activism Defeats Multinational's Profiteering" by Kevin Pranis. This is a report on campus activism in opposition to a foreign multinational that supplies both universities and prisons—Sodexho Alliance, which "...in 1994, entered into strategic alliance with the world's largest prison company, Corrections Corporation of America [CCA]." The students forced Sodexho to get rid of its large stock interest in CCA. This essay is also valuable in showing the breadth of industrial capital's involvement in prisons for profit. From razor blades to razor wire, some corporation is profiting from both public and private prisons.

In the essays on rape, the organization Stop Prisoner Rape is mentioned as a source of information on prisoner rape, but there is no article about its history and struggles inside the prisons, which have led to some victories. Its strategic view and social practice would have been valuable to prison activists.

The inclusion of more activist essays would have taken this anthology forward to stimulate further creativity and strategy in a movement to confront corporate/military/state power. It is not enough to shake our heads at a capitalism which has now shed all but a few shreds of its democratic facade. This struggle continues to be critically important as the United States expands its police state and concentration camp empire from Pelican Bay and Florence to the Immigration and Naturalization Service (INS) to the detention camps at Guantanamo—the military supermax concentration camp.

Mark Dow's essay, "Secrecy, Power, Indefinite Detention," on the detention and treatment of immigrants, illuminates the role of incarceration as part of foreign and domestic social control policies. In 2002, 115,000 immigrants were deported. Currently, 21,000 immigrants are being detained. Convicted legal residents, even if they have no homeland, are being deported to other countries, or they remain in long-term detention, with little hope of release.

Security and intimidation are the sidearms of an immigration policy that leads to exploitation of both workers and undocumented workers. This is a two-pronged attack: one on the immigrant, both those who are legal and those who are undocumented, and another on the U.S.-born black, Native American, Latino, and Asian and Pacific Islander populations. Both of these attacks are based primarily on skin color.

Noam Chomsky, in "Drug Policy as Social Control," observes that in the typical third world society, where there is a great disparity between the wealthy few and the impoverished many, the solution is "to get rid of the superfluous people, and...to control those who are suffering." He posits that the drug war is the "U.S. counterpart to 'social cleansing'" because a so-called democracy has to rely more on techniques of social control than straightforward murder and genocide. This noted, what this anthology lacks is sufficient analysis of the historic role of prisons as an integral part of imperialism and white supremacy.

Several articles discuss racism. The disproportionate number of black men in prison is noted, but overall national and colonial status is diffused into "the poor." There is little analysis of why there is such a racial disproportionality. Mumia Abu Jamal, the noted journalist and political prisoner long held on death row, states in one of his two essays, "Anatomy of a Whitewash," "if the status quo is an oppressive one, with white supremacy as the guiding principle, to preserve such a regime is wrong indeed." He also discusses the role of white supremacy. And, in an excellent article, "Color Bind: Prisons and the New American Racism," Paul Street explores the role of incarceration in the suppression and destruction of the black community. He notes that prison becomes, according to Bureau of Justice Statistics Director Jan Chaiken, "almost a normative life experience" in black urban communities. He delineates some of the ways in which the imprisonment of an increasingly large part of black communities is destroying the ability of those communities to develop. The black community is used to generating economic activity that does not benefit but rather injures the community through loss of potential earnings and savings. Even more important is the loss of human and social capital and therefore social development.

Finally, Street points out that "mass incarceration is hardly an inevitable product of capitalism." In Europe mass incarceration is not part of the capitalist system. In the United States, however, it is an integral part of capitalist and imperialist development. The Trail of Tears

and the Middle Passage are journeys to the first of the concentration camps—Indian reservations and plantations—and the beginnings of the U.S. strategy to work the captured and colonized to death.

The absence of analysis about this role of the prison nation is conspicuous, precisely because of the detailed description and analysis of the prison nation as a class issue. However, to talk about class without understanding that white supremacy is one of the ideological bases of imperialism and therefore informs all of its strategies, domestic and international, leaves one less clear about the historical role of the descendants of slaves, Native Americans, colonized Mexicans, and imported Asians as the backbone of the “American” working class. This leads to repeating the past. It would be wise to heed W. E. B. Du Bois when he pointed out in *Black Reconstruction* that the lack of support for black slave workers by the white working class set back the international class struggle a hundred years—or more, as we now witness.

Ultimately, there is no “humane” way to detain, incarcerate, or isolate the criminalized elements of a society. It is likely that even in a more ideal society, prisons will still tend toward dehumanization and degradation. That is the nature of institutions where human beings are held involuntarily, whether it be a boarding or military school, a mental hospital, or a prison.

George Winslow concludes that “[u]ntil there is a political movement to address these problems by creating a more just society, there is little hope of achieving justice in our prisons and courts.” I would add that any struggle to change the society must include changing the nature and purpose, if not dismantling, the repressive apparatus and the prison system that helps to define it. Mumia Abu Jamal cites Thoreau in his attack on slavery, *Civil Disobedience*, “the law will never make men free; it is men who have got to make the law free”; and, says Mumia, “...the law protects white class interests above all else.”

The women I see in the day room fall asleep each night dreaming of more effective or semi-miraculous paths to their freedom—a way home to their children and families. Each of us, as well as our families, friends, and communities, are caught up in both a personal and social tragedy—we all pay a price for the absence of prisoners from the world. If all who know and love even one prisoner, or who simply detest the dehumanization, degradation, and racism of the U.S. prison apparatus, were to join in some facet of the struggle to bring this insane system under control and, perhaps, to change it, even abolish it, change could occur. Millions of people across the United States are connected to prisoners and former prisoners. They have the power to act in the struggle to overturn the prison nation.

The Tragedy of U.S. Empire

SAUL LANDAU

Gabriel Kolko, *Another Century of War?* (New York: The New Press, 2002), 163 pages, paper \$15.95.

Avoidance occurs at all levels. George W. Bush avoids the funerals of dead soldiers brought back from Iraq. A large segment of the public avoids the issue of how the president dragged the nation into yet another war against another third world people. And pundits for the powerful offer us once again explanations about why the United States should impose “our order” elsewhere, and why this latest endeavor in “nation building” differs from previous fiascos. Sophisticated *New York Times* columnists like Thomas Friedman and William Safire work alongside the privatized propaganda ministry, Fox News, to back the invasion—any invasion—because “America only goes to war for noble purposes.”

As official historians obscure the past, revisionists illuminate it, helping put into context seemingly irrational and peace-disturbing contemporary acts and individuals—the very events and people that propagandists for the powerful deem logical and heroic. Imagine an official history for future high school students: Bush had to invade Iraq unilaterally because the Hitlerian dictator Saddam Hussein threatened U.S. security with his weapons of mass destruction, which he hid so they could never be found, and which he secretly planned to share with the 9/11 terrorists; because Saddam was brutal toward his own people and undemocratic; because we had to “finish the job” begun in the Gulf War; and because the United States could not allow a rogue state run by such an irresponsible dictator to command so much of the world’s oil supply, keeping it from its rightful users.

This official story, in one form or another, has reappeared for over two centuries to explain each and every American expansionist move since the first Europeans, doing God’s bidding of course, “settled” on the land, taking it from those whom God did not intend to live on it. But by the late 1950s, William Appleman

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Williams' "revisionism" (*The Tragedy of American Diplomacy*) began to challenge the myths of official history. Williams saw empire as a historical goal of American rulers and threw serious shadows over the contention that "we stumbled and bumbled our way into a position of world responsibility."

In the 1960s, Williams and his brilliant students—Walter La Feber, Lloyd Gardner, Gar Alperovitz, Tom McCormick, Carl Parrini, and Martin J. Sklar to name just a few—revived the critical tradition of Charles Beard—who had questioned the official reasons offered for U.S. entry into the First and Second World Wars—and scrutinized the imperial trajectory of U.S. policy. By reading the relevant documents and citing as evidence the very words of the interventionists themselves, the Williams school showed that U.S. leaders had not always chosen moral reasons for going to war. Indeed, the dreams and visions of imperial power as destiny filled the foreign policy agendas of many of the Founding Fathers in the 18th century, as it did for those who inherited their legacy throughout U.S. history. This expansionist impulse, covered with pious language and the façade of a republic, brought about the dramatic growth of a nation from 13 colonies to a world empire. Wars against Indian nations, Mexico and Spain, incursions into China and other parts of Asia, the Caribbean, and Central and South America set the stage for entrance into the world wars, from which the United States emerged as the great power.

Gabriel Kolko, one of the most brilliant revisionist historians, who, however, spent only a brief period of time at the University of Wisconsin where Williams built his following, has made his own effort "to strip some of the last veils off" as the late Roque Dalton put it. His new book follows his previous masterpiece of a decade ago, *Century of War: Politics, Conflict and Society since 1914*, a superb critique of the social bases and contradictions of modern warfare.

In *Another Century of War?*, written before Bush invaded Iraq, Kolko plays the historian as Cassandra. "Something has gone wrong, very wrong," Kolko writes of the 21st century, a time when "the United States' ambitions...far exceed its military, political and moral resources." Kolko offers the necessary facts and analysis that fill his warning with horrifying specificity. If Washington's power class "does not acknowledge the limits of its power...it will continue to embark on quixotic adventures in every corner of the world...and experience more terrorism on its own shores" (p. 140).

U.S. power, according to Kolko, has paved the way for a world empire without a coherent strategy, following a pattern of what C. Wright Mills called "drift." Often guided by narrow economic

imperatives, "U.S. foreign policies," Kolko points out, "have failed even if they have made the world more prosperous for its own businessmen and investors and their local cronies. The American people are now paying the price in lives lost and permanent insecurity—and they will have to accept the turbulent existence that the president after September 11 promised" (p. 147). This drift in foreign policy means that not only has the country prepared for decades for wars it didn't fight, but it continues under the Bush administration to use the word "plan" as a euphemism for "improvisation, reflecting the administration's profound instability and confusion." The result, Kolko suggests, is that the U.S. foreign policy elite finds itself in successive "strategic confusions," as involvements in the Middle East and Afghanistan illustrate.

After the Second World War, the United States prepared to rule the world with but one major enemy; what resulted was a continual involvement in wars that did not emanate directly from Moscow. Without a coherent strategy or even an understanding of the dangers that they were facing and in part creating, American leaders through the exercise of sheer power "attempted to guide and control a very large part of the change that occurred throughout the world, and a significant part of what is wrong today is the result of American interventions" (p. 95).

Kolko cautions us that the 1950-1953 Korean War, "[a] war that the Americans intended to be short and limited lasted almost as long as World War II, only to end inconclusively" (p. 93). Less than a decade after the Korean debacle, the United States reinvolved itself in another Asian war. "Initially Washington responded to events in Vietnam in the larger context of its ongoing search for a decisive strategy relevant for the entire Third World" (p. 97). Kolko's *Anatomy of War: Vietnam, the United States and the Modern Historical Experience*, marked the first history of the Vietnam War written by a westerner based in large part on Vietnamese documents.

According to Kolko, Washington lumped into the Vietnam effort a laundry list of doctrines and shibboleths: "the efficacy of limited war, its new weapons technology, its credibility, the domino theory, political rivalries and ambitions became tangled in a skein of interrelated causes....Vietnam was to become the epitome of the postwar crisis of American power and ambition, a testimony to its inability to articulate a successful military and political basis for establishing a global socioeconomic environment congenial to its interests and desires" (p. 97).

Kolko observes that those in power have consistently turned a deaf ear to the wisdom of critical scholars. Indeed, the United

States, as Kolko wrote in *The Age* (Melbourne, November 10, 2003), "has ignored many of the lessons of the traumatic Vietnam experience and is repeating many of the errors that produced defeat."

The president and his most powerful advisers "slighted the advice of their most knowledgeable intelligence experts. In Vietnam they told Washington's decision-makers not to tread where France had failed and to endorse the 1955 Geneva Accords provisos on reunification." U.S. leaders have repeatedly "believed what they wanted, not what their intelligence told them." "What they wanted to believe" usually conformed to economic and financial imperatives above all. "There is no substitute," Kolko writes, "for political and economic strategies that solve...real [social and moral] challenges rather than worry about what American businessmen and bankers think is in their interest. But since 1946 no administration has thought and acted that way. Instead, they relied on military power to intervene in various places to preserve status quos that perpetuate those economic and social conditions that lead to violence and terrorism" (p. 144).

As this suggests, Kolko combines his critique with a moral message as well: neither God nor historical laws are responsible for the messy current state of the world; careful attention to lessons of the past could have helped moral men to correct the dangerous and immoral imperial urge, which contradicts the very essence of a nation born as a republic.

Although a voice of the left, Kolko provides an all too rare example of genuine realism and moral concern in his book that is in many ways consistent with traditional conservatism as well as contemporary radicalism. In this respect, his concerns might be thought of as overlapping with the conservatism of a figure like Edmund Burke. I'm not sure George W. Bush, who calls himself conservative, has even heard of the 19th century British intellectual. Bush is the kind of politician that scared Burke. The label of conservative worn by men like Attorney General John Ashcroft, who pay little heed to Burke's counsel, makes a mockery of a once dignified school of thought. "Our patience will achieve more than our force," Burke implored. "Let us take a review of the dungeons, whips, chains, racks, gibbets, with which every society is abundantly stored" (Burke, *Works*, London, 1900, I, 21).

The "good old days" of libertarian concerns in high Republican circles have evolved into a mean and nasty opportunism. To feed their lust for power, the American governing classes distort facts and history, as Kolko forcefully illustrates, and substitute military power and technology for strategy.

The U.S. empire emerged, especially after the Second World War, as a result of the strength of the U.S. economy, its geographical isolation that protected it from the two world wars, and finally through the sheer military power it harnessed. As Kolko demonstrates, in the 1950s the United States shoved "our allies" (Britain and France) out of the Middle East. But, "[h]aving pushed the British out and taken on the immense task of seeking to control the Middle East, the United States had no means of doing so" (p. 33).

Kolko probes U.S. policies in Saudi Arabia, and its and Washington's role in Afghanistan, explaining how the current "terrorist" nightmare emerged from welcoming "Islamist movements as an antidote to secular leftist groups" (page 40). The U.S. affair with the repressive and corrupt Saudi royal family also laid the groundwork for the current predicament. During the build-up for the Gulf War, Kolko might have added, the Pentagon fooled the Saudis with phony aerial photos allegedly showing an imminent Iraqi threat to invade the oil rich kingdom, whereas U.S. intelligence officers knew full well that Saddam Hussein's forces had already overextended themselves just to occupy Kuwait.

Kolko offers a way out of the awful predicament of perpetual war, based on the very language American rulers use to keep the wars going. Since "arms have not brought security to America" (pp. 140-41), he suggests that real democracy offers the antidote to the instability fostered by U.S. ambitions. "Solutions are political. They require another mentality and much more wisdom, including a readiness to compromise and, above all, stay out of the affairs of other nations."



The emergence of a permanent enemy has, Orwell-wise, proved an enormous boon to conservatism in that it has given a new plausibility and a new lease of life to the notion of national unity in the face of a common peril....Conservatism needs perpetual Dunkirks.

—Ralph Miliband, "The Politics of Contemporary Capitalism,"
Monthly Review, December 1958

Manufacturing the Love of Possession

RICHARD YORK

Michael Dawson, *The Consumer Trap: Big Business Marketing in American Life* (Champaign: University of Illinois Press, 2003), 203 pages, cloth \$26.95.

In 1877, speaking at the Powder River Conference, Chief Sitting Bull of the Lakota nation said of the European invaders who were destroying his people and their way of life, "[T]he love of possession is a disease with them." *Disease* is an apt term, because it does not necessarily imply that the love of possession was inherent in the nature of the invaders, but rather that the affliction may have been acquired. Thus, any scholar wishing to locate the origin of the affliction should, like an epidemiologist, search out its sources and possible transmission vectors.

Michael Dawson is an "epidemiologist" of the finest type, seeking the origin of the most insidious ailment currently afflicting Americans (along with a growing share of humanity): hyper-consumerism, the love of possession in its latest form. Despite what neoclassical economists may tell us, people do not have an inherent, insatiable desire to consume without end. Rather, the desire to possess and consume must be created. The purpose of *The Consumer Trap* is to analyze how this desire is manufactured, by whom, and for what purpose.

Dawson goes to the source of the disease, big business and its marketing apparatus, and analyzes how the consumer trap is carefully set both to ensnare and infect its victims, to ensure that the rich get richer and that power remains in the hands of the powerful. Dawson bases his analysis in large part on the writings of corporate marketing specialists themselves and shows that they are quite frank about their purpose: to generate profit by manipulating people's thoughts, feelings, and behaviors. Marketing, in effect, attempts to turn people's private lives into just another part of a grand production/consumption line. In short, Dawson argues that

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The author thanks Brett Clark for his comments.

the purpose of marketing is to perpetuate the capitalist system and its concomitant inequalities. Thus, Dawson shows us that the source of the love of possession in the modern world is more like weaponized anthrax than it is like the smallpox virus. It does not readily spread from one individual to another, living freely in a population, as consumer culture theorists would have it. Rather, infection requires contact with a concentrated source that has been carefully engineered (in this case by the marketing minions of the capitalist class) for its malign purpose.

The theoretical foundation for Dawson's work comes from Thorstein Veblen and later scholars, Paul Baran and Paul Sweezy in particular, who have drawn on Veblen's political economy to address the age of monopoly capital. Dawson argues that Veblen's work has been hijacked and mischaracterized by consumer culture theorists. Far from focusing on the behavior of individual consumers, Veblen's political economy is firmly rooted in a recognition of the coercive power of the economic elite. Dawson manages both to pull the theoretical rug out from under consumer culture theorists and develop a truly radical approach to consumerism by appropriately utilizing Veblen's framework, which argues that corporate capitalism requires class coercion to expand sales and to achieve social domination.

This is not a work of abstract theoretical showmanship, however. Dawson sticks close to his purpose, never drifting from his focus on the practice of marketing. A large part of the text is concerned with tracing the development of marketing in order to put our current situation into historical context. Dawson traces modern marketing tactics to Frederick Winslow Taylor's "scientific management" in the early part of the twentieth century. He writes:

Harlow S. Person, then the Taylor Society's managing director, argued that corporate capitalism itself was eventually "going to force" its leading firms into a new "inclusive system of management." Person labeled the impending system "sales engineering" and predicted that once it took root corporate leaders would find themselves approaching the task of manipulating people's off-the-job perceptions and actions as rigorously and intentionally as they had already learned—thanks to Fred Taylor's teaching in workplace scientific management—to treat the task of engineering employees' on-the-job doings. (pp. 17-18)

Person was entirely correct, as Dawson shows us. Modern marketers rely on a large research apparatus to determine ways of manipulating people into buying and using products. The knowledge gained from such research is not only used in advertising, but also in the entire marketing process from product design to sales. Thus,

throughout the twentieth century, marketing was thoroughly Taylorized so as to make people's behavior outside of the workplace as conducive to capital accumulation as their on-the-job activities.

Dawson shows how the culture industry has developed substantially from that which concerned scholars in the Frankfurt School, who analyzed the more subtle (although surely still powerful) ideological manipulation perpetrated by the economic elite. Marketing makes the capitalist production of culture far more directed and focused, often bludgeoning people into submission by its sheer inescapable ubiquity. The first two sentences of his book tell the story:

Big businesses in the United States now spend well over a *trillion* dollars a year on marketing. This is double Americans' combined annual spending on all public and private education, from kindergartens through graduate schools. (p. 1)

The extraordinary sum of money spent on marketing belies widespread claims that people make their own decisions largely free of corporate influence. Either marketers are stupid (and they are not) or the money spent on marketing more than pays for itself in consumer compliance. Given the fact that a great deal of public and private education also serves to further the interests of capitalists—classes on marketing, business, and neoclassical economics are the most obvious examples, but the capitalist perspective has also infiltrated most, if not all, other aspects of education in the United States, from history and literature to biology and physics—one is left to wonder whether the typical American receives much in the way of a critical education at all.

Although concerns about government surveillance of our "private" lives are not unwarranted—especially during the present reign of the paranoid, jingoistic, and militaristic far-right in national politics—surely we should be at least as concerned with the penetration of marketers into our homes and families. Dawson notes that in addition to the routine monitoring of our behavior in the workplace, we are not free from corporate intrusion when we leave work. Not only are we assaulted overtly by direct marketing—all that junk mail and those phone calls—but our demographic and lifestyle conditions, our Internet use, and our purchasing habits are monitored and recorded whenever possible for use by marketing researchers to help target us for further marketing. Big Brother is watching, but not only, or even primarily, in the guise of Attorney General John Ashcroft. Instead, Frederick Taylor's ghost serves as the eyes of monopoly capital, monitoring all our behaviors.

Dawson's discussion of macromarketing (pp. 117–23) is especially interesting, although unfortunately short. Macromarketing refers to

the management by the corporate elite of the larger sociopolitical context, particularly public policy, to make it more conducive to the interests of capital. Dawson presents several examples of this, one of which is corporate influence on the development of the U.S. Interstate Highway system. The passage of the Federal Aid Highway Act of 1956 was a boon for capital, in that it undermined public transportation and greatly expanded marketing opportunities, particularly, and most obviously, for automobile manufacturers. The passage of this act and subsequent federal support for highway development, were no accident; they were the product of the strategic intervention of capitalists into public policy. Such intervention continues to this day with political lobbying and campaign financing by automobile and oil companies.

Macromarketing is fascinating because it is far more overtly political than other aspects of marketing. Rather than simply trying to get people to buy a specific product, macromarketing is concerned with structuring our entire way of life around consumerism. Macromarketing is unique to monopoly capital because in small-business capitalism no individual business has the resources to engage in macromarketing and, furthermore, even if it did, the benefits would be too diffuse to make it worth its while. Nevertheless, as monopoly capital expands and competition diminishes, big businesses clearly have more to gain by working not only to market specific products, but to ensure that we fulfill all of our needs and wants and define our lives through consumerism, because a large share of consumer dollars will end up in a few wealthy corporate hands. Surely this topic is worthy of more than a seven-page treatment. Nonetheless, Dawson covers a lot of ground in this relatively short book, so he can be forgiven for not covering every topic in detail.

Dawson does an admirable job of closing the book on a hopeful note by discussing how we can escape the consumer trap by "reclaiming our macro choices." Capitalist propaganda has been so successful in the United States that a great many people accept that we have no option other than our present system of corporate capitalism: It's either capitalism or the totalitarianism of fascism or Stalinism. *Democracy* and *capitalism* are too often seen as interchangeable terms, when nothing could be further from the truth. Dawson is entirely correct when he writes, "[M]odern corporate marketing is, in the final analysis, *an instrument for preventing the democratic governance of large-scale economic institutions and the big decisions that they make*" (p. 166). Although there are surely many other ways in which capitalism suppresses democracy, marketing has become one of the most

powerful tools of capitalism in the contemporary era.

In the end, however, we can choose something other than totalitarian oppression or capitalist exploitation; we have other macro choices. Dawson argues that democratic socialism remains an option and one that is well worth pursuing. The disease of consumerism must be stamped out at its source; corporate capitalism. The solution to bringing about a more just and sustainable world lies not in micro choices, but in structural change that wrestles power—economic, social, and political—from the corporate elite. The final sentences of *The Consumer Trap* make its purpose, and importance, clear:

[I]f democracy were to conquer the economic sphere of life, it would place severe limitations on the private priorities that presently drive it. The people might then enjoy not just a wide array of micro choices—which deodorant, toothpaste, car, or magazine to buy—but also an unprecedented degree of control over macro choices, including the option of putting people before profits. (p. 174)

MONTHLY REVIEW

fifty YEARS AGO

There is no more “anti-Americanism” in Europe than during the war—than there is normally friction at the fringes of cultures. Not, that is, the type of “tension” which sociology studies, and which arises from misunderstanding, leads to a stereotype hatred of all Americans, or wants to see Americans in trouble.

This is an important fact, because some enlightened professional crusaders, Communist and anti-Communist, have claimed merit for hating policies without hating peoples: the “anti-Americanism” of Europe is predominantly in this category. It is discriminate. It does not hate you, but the people you accept as your policymakers. It particularly dislikes the cruelty, irresponsibility, and truculence of one or two military gentlemen whose utterances have been reported, perhaps selectively, and whose actions have disgusted millions.

—Alex Comfort, “‘Anti-Americanism’ in Europe,”
Monthly Review, February 1954

Commentary from : _____

Monthly Review

February 2004, Vol.55, No.9

**Editors: PAUL M. SWEEZY, HARRY MAGDOFF,
JOHN BELLAMY FOSTER, ROBERT W. McCHESNEY,
LEO HUBERMAN (1903-1968)**

This year marks the 10th anniversary of the death of Ralph Miliband, who was one of the leading Marxist political theorists of the second half of the 20th century. His works, *Parliamentary Socialism* (1961), *The State in Capitalist Society* (1969), and *Marxism and Politics* (1977) are classics of socialist political analysis. This year is also the 40th anniversary of *The Socialist Register*, an annual journal that Miliband cofounded and coedited for 30 years.

It would be an impossible task to try to summarize Miliband's contributions here. Fortunately, MR Press (in conjunction with Merlin Press in London) has recently published an excellent biography by Michael Newman entitled, *Ralph Miliband and the Politics of the New Left* (2002). Those wishing for a detailed account of the evolution of Miliband's character and thought and its relation to the development of the New Left would be well-rewarded by reading this book.

We will comment here on just one aspect of Miliband's thinking: what might be called the dialectic of reform and repression of the advanced capitalist state. Miliband consistently argued throughout his political and intellectual career that even in the advanced capitalist states the political progress and reform identified with the welfare state would quickly come up against its own limits and prove in many ways temporary. Not only did it run into intractable problems in a society devoted to increasing economic inequality and hence increasing political inequality, but it was dependent on the strength of working-class based parties and movements that in themselves constituted threats to the logic of the system. Hence, reform would give way to repression, which would take the form of conservative authoritarianism.

Thus in *The State in Capitalist Society* Miliband argued that "the largest of all questions about Western-type regimes is how long their 'bourgeois-democratic' framework is likely to remain compatible with the needs and purposes of advanced capitalism; whether its economic, social and political contradictions are of such a kind as to render unworkable the political order with which it has, in general, hitherto been able to accommodate itself." Miliband's answer to this question was that "advanced capitalist societies are subject to strains more acute than for a long time past, and...their inability to resolve these strains makes their evolution towards more or less pronounced forms of conservative authoritarianism more rather than less likely."

Today this dialectic of reform and repression has become more important than ever. Hence, Miliband's analysis—in just this area alone—

deserves the close scrutiny of all who are concerned with progressive change. If a general tendency toward "conservative authoritarianism" in advanced capitalism may have struck readers of *The State in Capitalist Society* in the late 1960s as an improbable conclusion—at the beginning of the 21st century the prescience of his views should be obvious. For Miliband, of course, there was no way of breaking with this dialectic except by breaking with the logic of capitalist society and charting a different, revolutionary path—toward socialism.

Miliband's major books constitute one part of his intellectual legacy. Another part consists of *The Socialist Register*. The *Register* was created by Miliband and John Saville, its two founders, in 1964. Since its beginning it has been published by Merlin Press in London and distributed in the United States by Monthly Review Press. It was created as a left intellectual journal geared more to working-class struggles, and designed to be more empirical, more accessible in style, and more attuned to British and international realities than other journals emanating from the British left. There is no doubt that the *Register* was needed at the time and has played a vital role in socialist education during the past four decades. It has provided some of the best, most realistic socialist analyses to be found anywhere—in each annual issue since its founding.

Since the mid-1980s, Leo Panitch, a former student of Miliband's and an accomplished socialist political thinker in his own right, has played a key role as editor of the *Register*, first joining Miliband and Saville as coeditor in 1985. Following Saville's retirement as coeditor in 1989, Panitch and Miliband coedited the *Register* until the latter's death in 1994. Since that time, an illustrious international group of contributing editors have supported Panitch and his coeditor since 1998, Colin Leys, in editing *The Socialist Register*, and in expanding its readership, which has broadened internationally by means of an annual Indian edition (a Greek edition has also just been established). Specific volumes have been translated into languages as diverse as Farsi and Korean. Not the least of Miliband's achievements was this effecting of a transition for the journal, which would allow it to develop and flourish for decades into the future.

The importance of *The Socialist Register* is highlighted by this year's issue, entitled *The New Imperial Challenge*, and addresses (as its preface puts it) "not only the challenges to human well-being and self-determination presented by American imperialism today, but also the challenge to the left to develop a better theory of imperialism and its relation to global capitalism." Some of the most important contemporary left thinkers are included among the contributors, with essays by Aijaz Ahmad, Greg Albo, Emad El-Din Aysha, Amy Bartholomew, Jennifer Breakspear, Noam Chomsky, Brett Clark, John Bellamy Foster, Sam Gindin, David Harvey, Michael Klare, Leo Panitch, Paul Rogers, John S. Saul, Bob Sutcliffe and Tina Wallace—taking on themes ranging from "the imperialism of our time" and "the old and new economics of imperialism" to more specific issues such as "ecological imperialism," "international migration in the new imperial order," and "the limits and contradictions of 'Americanization.'"

(continued from inside front cover)

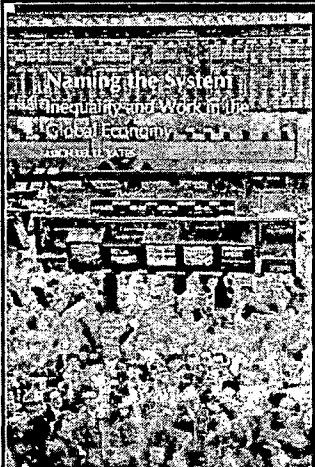
meaningless efforts to reform particular institutional arrangements while the underlying structure of power remains unquestioned. An example has been the performance in power of the Brazilian Worker's Party, central among the forces within the WSF.

The WSF has in the past been associated with the perspective that globalisation as an entity in itself is somehow the underlying force now transforming the world. As we have pointed out: "this idea carries with it certain built-in assumptions: (1) there is no alternative to the present world economic order—or, in other words, capitalism itself (as distinguished from globalization) is no longer in question, and socialism no longer a possibility; (2) the global economic landscape is a constellation formed primarily by multinational corporations, international finance, and a few international economic institutions such as the WTO, the IMF, and the World Bank; (3) the only real oppositional force is a collection of nongovernmental organizations that represent "global civil society;" and (4) the goal is to reverse neoliberal policy and make corporations and the key international economic institutions more democratic and responsive to human rights." (*Monthly Review*, Vol.52 No.3, July-August 2000). The run-up to the Mumbai meetings was marked by a strong critique of these notions within the Indian left. The smooth integration of most nongovernmental organisations ("NGOs") into the day-to-day working of imperialist neoliberalism was noted, leading to a valuable discussion. And daily reports of the brave deeds of the Iraqi resistance refute any thought that we have entered a "post-imperialist" age.

We salute all those who have struggled to move beyond the limited NGO critique of globalisation both within the WSF and in organising MR-2004. Reports we have heard indicate a level of anti-imperialist and anti-capitalist consciousness at both events in Mumbai that could not have been much to the liking of the World Social Forum's Ford Foundation sponsors. A commentator of the Communist Party of Nepal (Maoist) has usefully suggested that the WSF slogan needs to be advanced to "Another Socialist World is Possible." A double meaning of the suggested slogan is that we also need to move beyond models of socialism that have in practice led but to the restoration of capitalism.

The location of these events at this time is also worthy of note. Nowhere have the contradictions of neoliberal globalisation been sharper. A trendy elite pretends to global citizenship, though even they may have some second thoughts when they next wait in line to be fingerprinted and photographed at a U.S. port of entry. But for the majority even the promise of national integration has begun to fade. All communists in India share today a grave responsibility. The late Daniel Singer wrote: "Like nature, politics abhors the void. If the left fails to provide rational, progressive solutions to the growing economic and social traumas, the extreme right will come up with reactionary and irrational ones, playing on the fears aroused by globalization and on prejudices reinforced by apprehension. Hatred of others, the different and alien, spurred by racism, jingoism or religious fanaticism can lead to major tragedies." (*Whose Millennium?* Monthly Review Press, 2000, p.276). Secular marketisers and communalists are two sides of the same coin. The despair and polarisation produced by "free market" neoliberalism are the breeding grounds of fanaticism. The path to international solidarity lies through carrying on our national fight for rational, progressive and non-capitalist solutions. '[T]hough not in substance, yet in form, the struggle of the proletariat with the bourgeoisie is first a national struggle'. (*The Communist Manifesto*)

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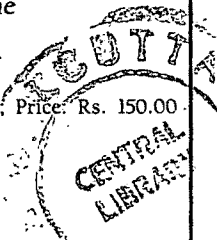
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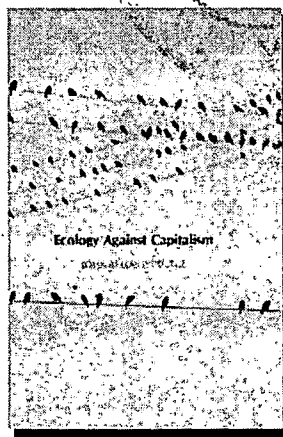
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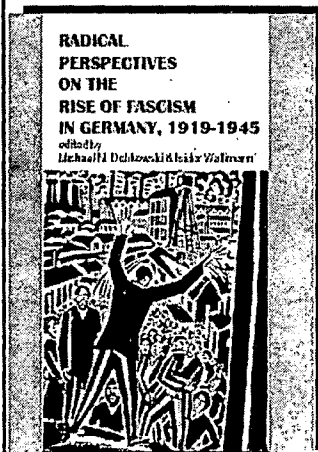
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Review of the Month by ROBERT W. MCCHESENEY

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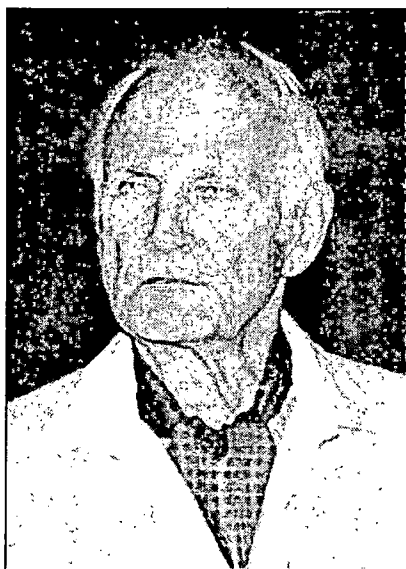
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Paul Marlor Sweezy (1910-2004)

Paul Sweezy died in Larchmont, New York on February 27, 2004. Not the least of his legacies is the model of intellectual independence that he has left behind. He demonstrated what Paul Baran called the courage as well as the commitment of an intellectual. And through the creation of *Monthly Review* he made it possible for many others to share in the same commitment and courage. His life is a marker to us all.

More on page 67

The Escalating War Against Corporate Media

ROBERT W. MCCHESENEY

A recurring issue for the left historically has been how to address the capitalist media. In recent years the problem has grown ever more severe, and no small amount of attention has been given to examining the problems of the commercial media and how closely they reinforce and accentuate problems within the broader social order. The logic of this criticism has become clear: progressives need to work on challenging the corporate domination of media as part of the broader struggle for social justice. If changing media is left until "after the revolution," there will be no revolution, not to mention fewer chances for social reform. But politicizing control over media has proven to be extraordinarily difficult for activists. That is why the massive and largely unanticipated 2003 campaign in the United States to stop further media concentration, which almost overnight reached a scale not seen in media reform struggles since the 1930s, is so important and instructive. This article chronicles that revolt.

The Media Reform Movement Comes to Life

Today we can see that hidden from public view in the 1990s had been a mounting concern over media. The changes wrought by neoliberal measures such as the 1996 Telecommunications Act only fanned the flames of this burgeoning movement. Magazines such as *The Nation*, *The Progressive*, and *In These Times* began to feature stories not only criticizing mainstream media but also reporting on nascent efforts to change media policies. The progressive media watch group Fairness & Accuracy In Reporting (FAIR) flourished, as did the Media Education Foundation, the premier producer of critical videos on media. Across the nation local media watch groups, reform organizations, and independent media outlets began to sprout. Critical books on media and journalism began selling

This article is a revised and abridged version of chapter 7 from Robert W. McChesney, *The Problem of the Media: U.S. Communication Politics in the Twenty-First Century* (Monthly Review Press, 2004). Footnotes for the material in this article are available in the book.

better than they had in the past. National "media and democracy" conferences were held in San Francisco and New York in 1996 and 1997, respectively, drawing many hundreds of activists.

Media activism was enjoying a distinct dynamism. The emergence of Independent Media Centers in the wake of the Seattle protests against the WTO in 1999 galvanized opposition to corporate media among a generation of young activists. Already media reform activism had reached a level not seen in many decades, but it still had not reached the levels of the Progressive Era and the 1930s. Despite all the activity and despite evidence that the American people were concerned about this issue, the media reform movement was almost entirely outside the mainstream political culture and invisible within the commercial news media. It did not exist in the minds of the overwhelming majority of the American people.

At the dawn of the 21st century, the media reform movement had its first notable skirmish in the battle for low-power FM radio (LPFM). The technology began in the late 1980s when it became possible to transmit radio signals easily and inexpensively, and soon several people began conducting low-power broadcasting on the open FM frequencies in their communities. The pioneer was an African-American activist, Mbanna Kantako, who began broadcasting to his neighborhood in Springfield, Illinois. By the 1990s scores of people were engaging in low-power broadcasting, and they were doing so without licenses from the Federal Communications Commission (FCC). Commercial broadcasters demanded that the FCC stop the "pirates," and the FCC obliged—taking legal action against several microbroadcasters. But it soon became apparent that the low cost and ease of use of the technology made it virtually impossible to police. That these broadcasters were able easily to locate open slots in the FM band—and therefore not interfere with existing stations—made LPFM seem benign, and it roused no public concern.

FCC chairman William Kennard recognized the difficulty in policing LPFM and decided to implement a widespread but cautious program to legalize LPFM stations across the nation. He was especially concerned with how the lifting of the radio ownership caps in 1996 had led to a sharp decline in the number of African-American station owners. Because most minority station owners generally held only a small number of stations, they found it impossible to compete with emerging giants like Clear Channel and were forced to sell out. Kennard wanted a plan that would get LPFM licenses into the hands of community groups representing people underserved by the commercial radio system.

After months of study the FCC released its plan—generally regarded by LPFM advocates as being more cautious than necessary—for the establishment of more than one thousand LPFM stations in 2000. These noncommercial stations would be licensed to locally-based nonprofit organizations. On the surface this looked like a clear victory for the American people: more stations, more choice, no commercialism, and more local content. Only one very small group of individuals disliked the plan: owners and managers of commercial broadcasting companies. These broadcasters did not want more competition for “their” listeners, especially not of a noncommercial and local variety. Such competition might require them to reduce advertising and increase local content to keep listeners from defecting, and those changes would come directly out of their profit margins.

The National Association of Broadcasters (NAB) put a full court press on Congress to overturn Kennard’s LPFM plan. The lobby could not, for PR purposes, admit to greed as a motive; instead it argued that one thousand new LPFM stations would create interference with the signals transmitted by existing broadcasters. The problem with this claim, as Kennard futilely explained, was that the engineering plans for inserting the new stations into the FM band were drawn largely from recommendations made a few years earlier by engineers who represented commercial broadcasters—when they wanted to make their own changes to the radio dial. Those changes had been implemented without causing signal interference.

The House, led by the commercial broadcasters’ chief advocate in that body, Representative Billy Tauzin, voted to overturn Kennard’s plan and reduce the number of LPFM stations to around two or three hundred, mostly in small cities and rural areas. The Senate was less willing to oblige corporate broadcasters, significantly because the ranking Republican on the relevant Senate commerce committee, Arizona’s John McCain, refused to comply with the NAB’s wishes. Of considerable importance, too, was the appearance of an organized lobbying effort with a significant grassroots element provided by LPFM advocates, including the Future of Music Coalition and the Prometheus Radio Project. This campaign drew a broad range of support, including organized labor, church groups, and civil rights organizations. This organizing effort was instrumental in mobilizing congressional support for the Kennard LPFM plan.

In the end, the NAB won—and the number of LPFM stations was reduced from one thousand to a few hundred. It was not through a majority vote on the Senate floor, but through a rider put

on the budget bill in late December 2000. "There were no hearings. It was done in the appropriations process at a time when all the special interests know that their power is greatly enhanced because it is done in the dark of night," Kennard later explained in an interview. "You know, you wake up the next day and legislation is written. The people who had the most to say about it are completely cut out of the process. If I sound bitter, I am."

Media reform activists learned crucial lessons from the LPFM fight: organizing around tangible reform proposals could actually generate popular support and sustained attention on Capitol Hill. For the first time in memory, organized people were challenging organized money on media policy issues. The industry had been forced to resort to a middle-of-the-night maneuver to get its way. Momentum for media reform continued to grow. In the spring of 2002, Representative Bernard Sanders of Vermont convened the first-ever "congressional town meetings" to address the problem of "corporate control of the media." Held on consecutive nights in Montpelier and Burlington, the events drew overflow crowds of several hundred people to everyone's surprise. Sanders, who had held scores of town meetings in Vermont on a wide range of public policy issues since entering Congress in 1991, could not recall ever getting such an enthusiastic response. "I think this shows that the movement for democratic media reform strikes a chord among the citizenry. It is going to be a long-term process but, after these last two days, I really think we can win it."

The issue that finally put the media reform movement on the map was media ownership regulations. The 1996 Telecommunications Act required the five-member FCC to review its media ownership rules every two years to see if they needed to be revised in view of changing circumstances. The FCC held these biennial reviews twice after 1996 as required and ruled each time that conditions had not changed sufficiently to warrant changes in ownership rules. New FCC chairman Michael Powell, chosen by President George W. Bush to replace Kennard, formed a media ownership working group of FCC staffers to study the matter in October 2001. He was expressly committed to scrapping media ownership rules as rapidly as possible. Instead, the hard work of the Consumers Union and the Consumer Federation of America, intended to keep Congress aware of what the FCC was planning and to slow down Powell, prevented him from moving quickly. As the Consumers Union's Gene Kimmelman recalls, "Industry was extremely angry that Powell 'wasted' six to nine months" in 2001 and 2002 before he got on track.

Not willing to rely simply on the FCC, the corporate media

lobbies were simultaneously working the court system in an attempt to have all the ownership rules thrown out. In February and April 2002, in two rulings, the U.S. Court of Appeals for the District of Columbia Circuit, known for its neoliberal bent, sided with industry lawyers. It pronounced that unless the FCC could prove that media ownership rules clearly served the public interest, the intent of Congress in the 1996 Telecommunications Act was that they be abolished.

The FCC announced its next biennial review of media ownership rules in September 2002. As a result of this review, ownership restrictions would have to be defended or else the rules would be tossed and media ownership would be subject only to antitrust enforcement, like other industries. Six rules were under review, including the prohibition against newspaper-broadcast cross-ownership and the rules regulating the number of TV stations a single firm could own locally and nationally. At that point, firms were permitted to own only one TV station in a market, except in the very largest cities, where they could own two. Firms were also prohibited from owning TV stations that, in total, reached more than 35 percent of the population, though both Viacom and News Corporation had been granted waivers by the FCC to exceed that figure. These were the rules that the industry was most eager to see relaxed or eliminated.

Powell & Cops Take the Stage

It was ironic that FCC chairman Michael Powell would be the official responsible for demonstrating to the courts that media ownership rules could be justified as serving the public interest. The son of Colin Powell, Michael Powell was being groomed for a career as a major player in the Republican Party. Long before the autumn of 2002, Powell had emerged as an enthusiastic, almost religious, proponent of neoliberal ideology and called for extending "full First Amendment rights" to commercial broadcasters. In theory that meant unvarnished praise for free markets, in practice it meant giving the corporate media lobbies whatever they wanted. For example, he opposed Kennard's LPFM plan. Even if deregulation led to more concentration, even monopoly, Powell's approach was to damn the torpedoes and plow full-speed ahead: "I don't see why we have to tell companies they have to eat their vegetables before they get their dessert." Powell saw the role of the FCC as facilitating profit making for corporations, pure and simple: "Government policy needs to follow the rule of capital and investment, not always the other way around."

Powell had never been especially concerned about media

concentration. "Monopoly is not illegal by itself in the United States," Powell commented in early 2002. "People tend to forget this. There is something healthy about letting innovators try to capture markets." While he acknowledged that a complete monopoly was problematic legally, he characterized the duopoly of satellite television—with two firms controlling the entire market—as "a vibrant competitive market." Powell conceded that he found the very notion of public interest regulation dubious: "The public interest works with letting the market work its magic." In Powell's view, he was "working himself out of a job" at the FCC by having public interest regulation eliminated, and the sooner he did it, the better.

Having this corporate media enthusiast in charge of defending the FCC's right to regulate media ownership in the public interest was like putting Florida's Republican secretary of state Katherine Harris in charge of Al Gore's Florida recount team in November 2000. The other two Republican members of the FCC were, if anything, even more devoted to advancing commercial media interests. Kathleen Q. Abernathy had been a corporate lobbyist before joining the FCC and was characterized as a "quiet warrior" for ownership deregulation. She almost never appeared in public and was seen as a "reliable vote" for Chairman Powell. Abernathy was much appreciated among corporate media lobbyists; she lavished praise upon the corporate-controlled plan for digital radio as "a win-win for everyone." The other Republican, Kevin Martin, had worked as a lawyer in the powerhouse Washington law firm of Wiley, Rein & Fielding, whose business was representing corporate communication clients. Richard Wiley, Martin's boss and a former FCC member, was a zealous advocate of eliminating media ownership rules. Wiley spent so much time in FCC headquarters that he was dubbed the "sixth member" of the FCC. Martin also worked full-time on the Bush-Cheney election campaign as a general counsel from 1999 to 2001.

Because the commission had a vacancy for a Democratic member in the fall of 2002, the one dissenting voice to a thorough relaxation of media ownership rules was Michael Copps, a Democrat with a doctoral degree in history, who had been appointed in 2001. Copps, too, was a patronage appointee, having served as an aide for many years to Senator Ernest "Fritz" Hollings, the ranking Democrat on the Senate Commerce Committee. Perhaps it was because the Democrats were out of power and therefore less deferential to the media lobby—or perhaps it was simply because Copps was cut from a different cloth—but very early on it became clear that he was not at all like Kennard and the other Democrats who had recently

served on the FCC. A self-described New Dealer, Copps was the one vote against approving Comcast's takeover of AT&T's cable systems in 2002: "The sheer economic power created by this mega-combination, and the opportunities for abuse that would accompany it, outweigh the very limited public interest benefits that either the Applicants or the majority find here." Copps rejected the Powell-Abernathy-Martin formulation that if a merger generated increased efficiencies (generally measured by profits) it meant the deal would be beneficial to the public: "It strikes me as bedrock that our review of proposed consolidations must venture beyond economic efficiencies if we are to ensure that combinations serve the public interest."

Copps was adamant that the FCC's review of media ownership rules needed to reach out to the public. "We need much wider participation," he argued. "This is not an inside-the-Beltway issue." Copps thought the commission's plan to allow for sixty days of public comment was insufficient in view of the stakes involved. He suggested that the FCC hold a series of hearings around the nation to gauge public opinion on the issue. Powell, supported by the other commissioners, was "unenthusiastic" and formally rejected Copps's recommendation in November. By this time, relations between Powell and Copps had already become frosty. Copps issued a release expressing "alarm" and "disappointment" at Powell's refusal to hold public hearings or to find other ways to generate increased public participation.

At the end of 2002 all indications were that the Republican majority would get their way and ownership limits would be greatly relaxed, if not eliminated. The courts were on board. The FCC majority was on board. Only three votes were required; the deck was stacked against Copps. But in January 2003 the tide slowly but perceptibly began to change. Jonathan Adelstein, an aide to Senator Tom Daschle, joined the FCC as the second Democrat and immediately demonstrated that he shared Copps's concerns. "It violates every tenet of a free society to let a handful of powerful companies control our media," he stated. The organizing effort against media consolidation began to get attention in Congress; several letters were sent by members of the House and Senate, by Republicans as well as Democrats, to Powell calling on him to open up the process, slow it down, and take concerns about media consolidation more seriously.

In particular, Powell and the FCC came in for a grilling on Capitol Hill in two January hearings. Here the work of the Consumers Union and other activist organizations to educate members of Congress on media ownership issues paid dividends.

As Copps noted, members of Congress expressed considerable concern that Powell was planning to railroad through ownership rule changes without public or congressional input. Recounting a hearing before the Senate Commerce Committee in January that included testimony from FCC members, Copps explained, "This was supposed to be a hearing on telecommunications. We weren't into that hearing two minutes, I'll bet, before one senator after another started asking about media consolidation and what's going on down there at the Commission. Equally interesting, it wasn't just the Democratic side, but it was also the Republican side."

Copps fanned these flames of interest by encouraging a public hearing on media ownership at Columbia University in January. Powell, Adelstein, and Martin attended the informal hearing. Although the panels were evenly balanced with industry and nonindustry participants, the tenor of the audience was decidedly anxious about media consolidation.

Beltway Opposition Stiffens

By the end of January 2003, any hope that Michael Powell and the FCC majority were going to breeze through relaxation of media ownership rules was dashed. Powell's refusal to join Copps and Adelstein in a series of public hearings around the nation to solicit public input was becoming more and more of a PR problem. Finally, "clearly feeling the pressure," as one broadcasting trade publication observed, Powell made an "unusual turnaround" and agreed to hold one official hearing in Richmond, Virginia, in February. It was "a victory of sorts for Copps," and the trade press noted that Powell hoped this would put an end to talk about public hearings. Powell dismissed the idea that additional FCC public hearings on media ownership would be necessary or beneficial. He selected Richmond for its proximity to Washington—it would make it a day trip for FCC officials and lobbyists—and he intimated to the trade publication *Broadcasting & Cable* that he thought the Richmond hearing would be a waste of time. There was too much real work to be done in Washington studying the issue of media ownership, he argued, to gallivant around the country. Anyway, "in the digital age, you don't need a nineteenth-century whistle-stop tour to hear from America." Powell invited Americans to use the Internet to send him and the FCC their thoughts on the relaxation of media ownership rules.

In truth, Powell had a pretty clear idea long before the Richmond hearing of how he wanted to change the rules. But the specifics would remain a closely guarded secret until May, three weeks before a final vote, when the law required Powell to disclose them to the

other commissioners. Powell and his staffers discussed the matter with Abernathy, Martin, and their staffers to make sure their votes were safe, but Adelstein and especially Copps were outside the loop. Powell used much of the spring to sell media rule changes to Congress and the public, so the process would look like a legitimate undertaking, not a kowtowing to well-heeled corporate interests. Sure, he knew he was going to get his three votes no matter what, but the bumpier the ride at the FCC the harder the fight might be later in Congress and the more political fallout might hit the White House.

The problem was made much more desperate for Powell because Copps and Adelstein were both so openly contemptuous of how the FCC was proceeding. Copps was planning to hold public hearings in the spring of 2003 across the nation, without Powell if need be, and use them as a "bully pulpit" to bring media ownership "to the public's attention." This was historically unprecedented for the FCC; in the past an FCC chair like Powell would have never had to worry about dissent from other members or public concern about FCC operations. "I don't recall ever seeing before the level of open and very public dispute among the commissioners on these issues," a lobbyist for Clear Channel and News Corporation commented. Powell was in dangerous, uncharted territory.

In a sense, Powell deserves some sympathy. His career had been built upon lavishing praise on the market and unbridled contempt for ownership rules or regulation in the public interest—but, as the response from Congress and the public made clear by January, that tack would be counterproductive in 2003. Powell began to present himself as an earnest pragmatist repelled by extremism and incendiary rhetoric. "I am absolutely a good middle-of-the-road moderate," he told an audience at Harvard in April. His moderation, however, was not based on any moderation of his extreme views on regulation, but, rather, upon his willingness to proceed at a slower pace to get what he wanted.

Powell spent much of the first half of 2003 painting himself as the reluctant deregulator. "These rules, if I do nothing, will be dead soon," Powell remarked to an audience of investors organized by Goldman Sachs. Why? "Because the courts say so—the courts demand that a regulatory agency justify its rules." "Keeping the rules exactly as they are, as some so stridently suggest," is "not a viable option." As Powell's point man Ken Ferree put it, "Courts are saying, 'Hey, don't come here and tell us this rule is necessary because you believe it to be. You've got to come in with empirical evidence and show exactly what harms you're preventing, and how you do the balancing.'"

The court of appeals in Washington D.C. had based its 2002 ruling on the belief that Congress's intent in the 1996 Telecommunications Act was to eliminate media ownership rules unless incontrovertible and overwhelming evidence justified their continuation in the public interest. Powell accepted this view and elected not to appeal the court's interpretation. "Congress shifted the burden to the FCC, rather than the industry, to demonstrate the need for a rule," Powell explained. "The congressional bias is for deregulation and the standard for maintaining a rule is an enormous hill to climb." To Copps and Adelstein, Powell's response defied logic, since the law that established the FCC mandated the commission to serve the public interest. As Copps observed, "That phrase, 'serving the public interest, convenience, and necessity,' appears 112 times in the statute. So I think Congress was serious about us serving the public interest."

Had Powell elected to appeal the court's interpretation of the Telecommunications Act, he would have had a powerful legal case. The act merely states that every two years the FCC "shall determine whether any of such rules are necessary in the public interest as the result of competition. The Commission shall repeal or modify any regulation it determines to be no longer in the public interest." Although the spirit of the law pushed toward relaxation of the rules, since competition was presumed to be increasing, Senator John McCain, chairman of the Senate Commerce Committee, argued that the law permitted the FCC to *tighten* media ownership rules if it found market conditions warranted doing so in the public interest. At any rate, conditions had not changed much since 1996 when the law was passed. If Congress had wanted to throw out the ownership rules in 1996, it could have done so itself. Indeed, the evidence from Congress was clear: many who voted for the Telecommunications Act intended ownership rules to remain unless striking, unforeseeable developments occurred. The FCC's job was to monitor these developments.

Few in Congress bought Powell's line that "the courts are making me do this." Literally scores of members of Congress wrote to Powell in 2003 making explicit their conviction that the appeals court interpretation of congressional intent was wrong. Powell and the FCC "could maintain limits if they wanted to," the media activist Jeff Chester maintained. "He doesn't want to."

Powell's Three Arguments

In general, as Powell made his case for relaxing the media ownership rules, he seemed to be channeling Rupert Murdoch or Sumner Redstone as he spoke. This hardly helped his image as a

moderate pragmatist determined to salvage what he could of public interest regulation in a hostile world, or at least, in the face of a hostile Appeals Court. Powell made three points over and over during the course of 2003. First, he argued that with the radical increase in media channels due to cable TV and the Internet, concerns over media concentration were quickly becoming "a moot issue." "Today choices abound," Powell wrote in *USA Today*. "This abundance means more programming, more choice, and more control in the hands of citizens." In addition to hundreds of TV channels, "Americans now have access to a bottomless well of information called the Internet." Powell maintained that this "democratization of technology" undermined traditional concerns about media concentration and any rationale for ownership regulation. Here Powell echoed NBC CEO Robert Wright, who termed media ownership rules "ridiculous." Indeed, Powell proclaimed that the problem with the media system was not too much concentration but "hyper-competitiveness" that led desperate firms to present vulgar fare they might not produce otherwise.

Although Powell was correct about the emergence of new channels, the argument that this undermined the need for ownership regulation was far from convincing. Chris Murray of the Consumers Union pointed out, "Yes, there are 500 channels on cable television, but five companies control the same market share that the three networks did in the 1970s." The degree to which the same large media corporations owned the TV networks, the cable TV channels, and the Hollywood film studios was a subject that Powell, with his purported obsession with quantitative data, never acknowledged. If the FCC relaxed the ownership rules further, those five companies would only increase their hold. Although there were a gazillion Web sites, that hardly qualified as genuine commercial competition.

But there was an even more fundamental problem with Powell's argument that the multitude of new media undermines concerns about media concentration. There was and is an empirical measure of the truth behind this statement, a way to determine whether conditions had changed sufficiently to justify relaxing media ownership limits on broadcasters. The traditional justification for having media ownership rules was based on the idea that the government was granting firms beachfront property in the media system when they were given monopoly licenses to broadcast channels. Therefore the public had an interest in preventing firms from monopolizing these scarce licenses and dominating the media system. If the existence of so many new media channels through cable TV and the Internet had undermined the market power of the broadcast licenses, then having a TV or radio channel was no longer

owning beachfront property but rather holding a mere grain of sand on the digital beach, as Michael Powell suggested.

In that scenario, one would rationally expect the value of radio and TV licenses to stagnate and eventually fall. After all, what rational capitalist would spend hundreds of millions of dollars to purchase a TV station if someone else could effectively compete with him by spending a pittance to produce a hundred Web sites? In fact, the value of radio and TV licenses had increased since 1996, and at a much greater rate than the rate of inflation. These licenses do indeed continue to confer tremendous market power or, as economists would say, monopolistic power. That is why large media companies lobby incessantly to relax the ownership rules: they want to purchase more stations. That is why media ownership rules continue to be necessary. When News Corporation and Viacom and Disney and General Electric are dumping their TV stations and the price of a license is going into the toilet, Powell will have a more convincing case.

Powell's second argument on behalf of relaxing media ownership rules was related to the first; he claimed that unless big media companies could own more and more TV stations they would not be able to make a profit and "free TV" would end. The current media ownership rules were going to drive the major TV networks out of business. In making this argument, Powell presented himself as a populist crusader focused on the needs of those who could not afford cable TV, satellite TV, or pay-per-view channels. (This of course seemed to contradict his first argument about everyone having access to limitless choice on the Internet.) The hardship claim was straight out of the TV networks' playbook. Viacom president Mel Karmazin told the Senate Commerce Committee in May that network television is "not a very good business." Viacom's lobbyists argued that media ownership rules had to be relaxed "to help ensure that free, over-the-air broadcasting continues to be available across America." Rupert Murdoch told Congress that allowing broadcast companies to own more stations was necessary for over-the-air television to survive: "It's about impossible to run an entertainment network at a profit."

There were two problems with this argument. First, even if true, is it rational public policy to protect firms in a dying industry? Shouldn't there be a broader debate about how best to deploy public resources, if the network TV structure had become outdated? Also, even if the networks were struggling, the parent companies were almost all doing very well and also owned most of the cable TV channels. What guarantee was there that these firms would maintain free television in the future? Perhaps these companies would

get to own all the stations and then determine that there was a more profitable use of the public airwaves. Was Powell prepared to require these companies to broadcast free television in exchange for receiving more TV channels? In short, Powell's "policy" with regard to saving network TV seemed half-baked.

The second problem with Powell's campaign to "save free TV" was that it was premised on a bogus claim—in fact, an outright lie. Media mogul Barry Diller, who built the Fox TV network, scoffed at Powell's concerns about the networks' financial health: "Anybody who thinks they're in trouble hasn't read the profit statements of these companies. The only way you can lose money in broadcasting is if somebody steals it from you." Ironically, exactly at the moment Powell was pressing this case, in May 2003, the same TV networks that claimed to be on their deathbed recorded the greatest wave of advance advertising sales in U.S. history. The head of Disney's ABC was ecstatic. "It's like being back in college and pulling those all-nighters," he said of their efforts to process all the sales. "Broadcast Nets Hit the Jackpot," one headline read, with the article concluding, "The market was red-hot everywhere this year." "By the time you read this," one trade publication plastered on its front page, "many TV ad sales executives will be on the golf course celebrating the record \$21 billion upfront market." Moreover, market research suggested that broadcast advertising was expected to continue to climb at a healthy clip through 2007. Their economic future was bright indeed.

Powell's third argument contradicted the logic of his second argument, in which he suggested that media mergers might save free TV. He now claimed that the relaxation of media ownership rules that the FCC proposed would not amount to a big deal: "I think there will be an increase in mergers, but not to the extent that it would cause public policy concerns." "The United States has the most diverse media marketplace in the world," Powell wrote, adding, "our nation's media landscape will not become significantly more concentrated as a result of changes to the FCC rules." Therefore, Powell suggested, his opponents were making much ado about nothing.

Powell provided no evidence for this argument. Indeed, there was considerable evidence that the largest media firms and Wall Street investment banking houses anticipated a major wave of media mergers once the rules were relaxed. "Everyone is waiting for the new rules; then they'll pounce," one banker predicted. The trade press teemed with articles throughout the first half of 2003 in which industry insiders discussed the impending merger mania. The tone was often giddy. "Major media companies are drawn and

cocked," the *Denver Post* publisher and MediaNews Group CEO William Dean Singleton announced. Singleton was especially pleased because the FCC rule changes would make it possible for firms like his to grow so large as to assure their dominance of the Internet: "We are in the news and information business. In fact, we own it."

The greatest wave of mergers was expected at the local level, where the profit potential of owning the daily newspaper, two or three TV stations, and eight radio stations was the stuff of media owner fantasies. After all, look at what Clear Channel had accomplished with radio since 1996. Imagine if you could toss in the daily newspaper and a few TV stations, too. As one investment analyst put it, "The media companies' top priority is more concentrated power in local markets." "The big guys will get bigger," a leading media financial analyst concluded, sounding a bit like Don Corleone, "and the little guys will have to decide whether they want to exist anymore." Or as Senator Ron Wyden of Oregon said, Powell's decision to loosen media ownership rules "rings the dinner bell for big media corporations who are salivating to make a meal out of the nation's many small media outlets."

Of course, no one knew for certain what would happen. Perhaps time would prove Powell's third argument correct and there would not be all that many deals as a result of rules relaxation. But to Copps and Adelstein this was reckless policy making, when the prudent course was to be cautious. "Some argue that the concern about the threat to American democracy is overblown since it is so strong and resilient," Adelstein said. "While our democracy is strong and not about to crumble, does it mean we can afford to weaken it?" "This is a huge and foolhardy gamble with the future," Copps warned. "Suppose for a moment that the FCC votes to remove or significantly modify the concentration protections. Suppose that turns out to be a mistake," Copps questioned. "How would we ever put the genie back in the bottle? The answer is we could not. That's why we need a national dialogue on the issue and better data and analysis."

Opposition Grows Beyond the Beltway

Michael Powell's campaign to advance the case for loosening media ownership rules in the spring of 2003 was based upon contradictory arguments constructed with dubious evidence. In the battle for public opinion, this put him at a decided disadvantage. His arguments did not appear to convince people who were not invested in the system and did not share his euphoric attitude toward the U.S. commercial media system. In years past, that wouldn't have mattered because Americans would have been clueless

about the FCC's proceedings. But in 2003 many things had changed, not the least of which was that FCC member Michael Copps had taken it upon himself to rouse public interest and involvement in the issue.

"This is still, in my mind, very much an inside-the-Beltway issue," Copps explained in February. "It has not become one where the country is really plugged into it and knows what's going on here. That's because the country doesn't really know. If it did know, I think a lot of people would be vitally interested in the outcome." Copps was blunt about his mission: "I am trying to raise as much ruckus as I can about it." In doing so, Copps found the public to be receptive; people had considerable concerns about media, and when they learned these concerns could be attached to a specific policy, their interest grew dramatically. Fairly soon, Copps had many more allies than he could have anticipated, far beyond the stalwart public interest groups in Washington, D.C.

The official FCC hearing in Richmond on February 27 was an omen. Four of the five hours were devoted to panelists, and most of the twenty-one experts were from out of town, including a large contingent of industry representatives. The public then had an hour to make statements—and every speaker opposed relaxing the media ownership rules. "What stood out most," Copps commented afterward, "was the level of concern on the issue and the level of dissatisfaction." Powell immediately announced that the Richmond hearing provided "enough" input from the public and that it was imperative to get the process completed as quickly as possible. "This is one of the most extensively developed records in the history of the commission," Powell stated. You can hold hearings until "you're blue in the face but at some point people expect you to take a position." Powell, Abernathy, and Martin would not attend any of the subsequent public hearings on media ownership.

Over the next three months twelve more public hearings were held across the nation, almost all attended by Copps and many by Adelstein, who termed this their "magical mystery tour." The events were always nonpartisan, organized by a local university or civic group, and featured representatives of the broadcasting industry. Numerous activists groups, like Jeff Chester's Center for Digital Democracy and the Benton Foundation helped organize the events. There were also a number of smaller events, sometimes attended by Copps or Adelstein separately. In most cases, members of Congress from the area participated. Some events were attended by fewer than 200 people, as in Detroit, Chicago, and Phoenix, but most of the rest became standing-room-only affairs with 400–1,000 attendees, as in Seattle, Philadelphia, Burlington, Atlanta, and San

Francisco. Even more than the turnout, it was the public's comment that caught the attention of Copps and Adelstein and energized them as they squared off with Powell and the Republicans back at FCC headquarters. "Of the hundreds of citizens I heard from, many extremely articulate, not one of them stood up to say, 'I want to see even more concentration in our media ownership.'" Not one," Adelstein observed. "The public knows instinctively what the FCC is supposed to do—protect them from large entities gaining too much control over critical channels of communication."

This attendance was all the more incredible because the local press gave little or no advance coverage and in most cases no follow-up coverage either—especially curious since local media often had executives on hearing panels. "That people even found out about these meetings," Copps acknowledged, "is a miracle." This pointed to a problem that faced the activists throughout 2003: the paucity of mainstream news coverage. As a study conducted for the *American Journalism Review* concluded, in the first five months of 2003, commercial TV and the cable networks offered "virtually no coverage" of the FCC deliberations on media ownership. Even the handful of newspapers that covered the story on occasion throughout the year, like the *Chicago Tribune*, "seemed to lose interest in the consumer and democracy angles, treating the story mainly as a business and investment issue." As the author of the study concluded, "you wouldn't have learned much about the controversy from the many news outlets that were eager to cash in." Instead, the organizers had to rely upon alternative media and the Internet to do much of their outreach; one can only imagine what the response would have been had the conventional news media given this anything close to the attention that a story of such magnitude—but not involving the corporate media—would have merited.

Despite the mainstream news blackout, the movement grew rapidly. What happened to radio following the relaxation of radio ownership rules in the 1996 Telecommunications Act spurred Americans' concern about media policies. Radio was often invoked as the "canary in the coal mine" that would predict what would happen when ownership rules for television, cable, and newspapers were relaxed. And the consensus about radio was almost universally negative. Local news had disappeared, musical variety had diminished, and commercialism had increased. "So television's going to be more like radio now," the TV critic Tom Shales mused in a column on Powell's media ownership plans. "Gosh, that's swell. Let's have a little dancing in the streets, because this is no small accomplishment—finding a means to make TV worse, I mean."

"If you really like what happened in radio," Copps argued, "you'll

love what's barreling down the FCC track toward you." Or, as he told his colleagues, "this experience should *terrify* us." As one reporter put it, "The sorry state of the radio industry is sabotaging FCC chairman Michael Powell's plans to let media conglomerates run wild." Much opposition to ownership relaxation in the African-American and minority communities could be attributed to the bad experience with radio, an industry that saw minority ownership collapse since 1996 and journalism for minority groups shrivel. Indeed, Powell acknowledged that radio was in crisis, but he refused to let its condition influence his evaluation of ownership rules changes for other media.

Another issue that mobilized citizens was the fate of journalism under media concentration. The FCC had ignored or mangled this topic in its study with its twelve reports; indeed, if one looked at who actually wrote or produced news in local markets, the effects of concentrated ownership on journalism would be apparent, as would the likely impact of further relaxation of ownership. A study released by the Project for Excellence in Journalism in February 2003 concluded that larger TV station-owning companies used their market power to reduce their commitment to local journalism. Powell not only defended the status quo but also argued that increased media concentration would improve journalism: "Scale and efficiency are becoming more vital to delivering quality news and public affairs." Not many shared Powell's enthusiasm. Common Cause, the public interest citizens group, received so much concern from its several hundred thousand members about how concentrated media ownership would affect journalism and public life that it made fighting Powell its main organizing issue in 2003. Common Cause's president, Chellie Pingree, remarked that she had never seen so much rank-and-file interest in an issue. Common Cause, which had never worked in media policy before, had suddenly become a media reform organization.

Even more striking was the opposition to the relaxation of media ownership rules that came from working journalists. Their ire certainly undercut Powell's effort to wrap his media ownership plan in the guise of protecting the First Amendment. Those on the front lines saw what concentration had done to journalism and they did not want to see more of it. From the *Columbia Journalism Review* to avidly pro-deregulation trade publications such as *Broadcasting & Cable*, working journalists criticized relaxation of media ownership rules as bad for journalism. Linda Foley, president of the Newspaper Guild, detailed the pronounced concern over media concentration among her members. The guild and AFTRA, the union representing broadcast journalists, made stopping the relaxation of

media ownership rules central to their lobbying work in 2003.

The National Association of Black Journalists and the National Association of Hispanic Journalists both came out against relaxing the rules. Working with the National Association of Black Owned Broadcasters, they were able to generate interest in this issue among members of the Congressional Black Caucus and the Hispanic Caucus, which would prove valuable down the road. For what may have been the first time in its history, the International Federation of Journalists, representing 500,000 journalists in more than 100 countries, weighed in on a U.S. media ownership policy matter, calling Powell's plan "a dangerous shift of power at the expense of democracy."

Journalists were not the only ones closely connected to the media industries who spoke out. All the Hollywood unions worked to oppose Powell and the FCC, in combination with most of the independent producers. "This is really unprecedented," the president of the West Coast branch of the Writers Guild of America noted. "It's remarkable how this one issue seems to have captured the entire community." Driven by the media unions, the AFL-CIO Executive Council formally opposed the relaxation of media ownership rules in March 2003. Even the Public Relations Society of America condemned Powell, and leading advertisers criticized media concentration. Numerous independent media owners such as Frank Blethen, publisher of the *Seattle Times*, stepped forward to fight against rule relaxation. Even the huge conglomerate Sony expressed concerns about concentration in the TV industry. The arguments invariably were that concentration produces lousier media content.

Powell and his supporters could rightly claim that much of this opposition within the media industries came from self-interested parties who had much to lose. But Powell's entire base of support also came from self-interested parties with much to gain. And it hardly helped Powell's cause that those on the inside of these industries, such as journalists, stated emphatically that concentration was bad for quality media content.

Left & Right Join the Fight

As impressive as this opposition to Powell looked, two additional developments generated what would be the lion's share of the more than three million Americans who would formally oppose the relaxation of media ownership rules in 2003. First was the U.S. invasion and subsequent occupation of Iraq. During the buildup to the war, in the first three months of 2003, the burgeoning antiwar movement spent considerable time castigating what it regarded as the uncritical and propagandistic nature of TV news

coverage of the Bush administration's war rationale. Phil Donahue's program was terminated by MSNBC in February; its cancellation came in the wake of an internal NBC report claiming that Donahue projected a "difficult public face for NBC in time of war. He seems to delight in presenting guests who are antiwar, anti-Bush, and skeptical of the administration's motives." The report worried that Donahue would become "a home for the liberal antiwar agenda at the same time that our competitors are waving the flag at every opportunity." Cable giant Comcast refused to air an antiwar ad during Bush's State of the Union address.

The concentrated world of radio was seen as being particularly hostile to all who did not support the Bush administration. Clear Channel's DJs led pro-war rallies, fired the South Carolina 2002 "Radio Personality of the Year" allegedly for her antiwar politics, and, along with fellow radio giant Cumulus, dropped the Dixie Chicks from its playlists after a member of the band criticized Bush at a concert in England. When activists learned that the same companies that seemed most aggressively pro-war—e.g., Clear Channel and Rupert Murdoch's News Corporation—were leading the lobbying fight to acquire even more media, activists started publicizing the FCC issue. Around this time, Murdoch announced his intention to purchase DirecTV, the firm that dominated U.S. satellite television delivery.

When Powell praised the outstanding and "thrilling" TV news coverage of the Iraq war as justifying his contention that media concentration actually promotes better journalism, it was like waving a red flag in front of a bull. (Copps, on the other hand, observed that TV news coverage of the war lacked "clash and a diversity of ideas.") The liberal online activist group MoveOn.org was deluged with comments from many of its million plus members demanding that MoveOn organize to oppose Powell and the FCC. With its huge e-mail lists, MoveOn was able to generate hundreds of thousands of supporters for media reform during the course of 2003.

The second striking development was the emergence of conservative opposition to the relaxation of media ownership rules. Some of it grew from public distaste with the vulgarity of radio and television—what conservative media activist Brent Bozell termed "the raw sewage, the ultraviolence, the graphic sex, the raunchy language that is flooding their living rooms day and night." This persistent lewdness was exacerbated by media concentration, because huge firms provided the cheapest fare possible and were unaccountable to local communities. Conservatives also disliked the decline of local ownership and localism in commercial media. "I am a conservative.

I believe in free markets and limited government,” Representative Richard Burr of North Carolina said in explaining his opposition to Powell. “But I also believe in another important conservative ideal—the right of local citizens to influence decisions that impact their communities.”

The National Rifle Association shared these concerns—it regarded the big media conglomerates as unsympathetic to gun owners—and, at the urging of its membership, became an aggressive force against the FCC in the spring of 2003. The NRA generated several hundred thousand postcards in opposition to relaxing media ownership rules. People were astounded by the emerging alliance, with Jesse Helms in tandem with Jesse Jackson. “When all of us are united on an issue, then one of two things has happened,” Bozell observed. “Either the earth has spun off its axis and we have all lost our minds or there is universal support for a concept.”

As popular opposition grew, increased attention turned to what, exactly, the FCC was doing. Although Powell claimed he was too busy to attend any of the public hearings in the spring, he apparently was able to carve out time to attend major conferences of media owners. In his speech before the NAB in Las Vegas in April he dropped the role of the moderate pragmatist and technocrat and urged broadcasters to support “comprehensive deregulation of the broadcast industry.” Three weeks later, in Seattle, Powell told the nation’s newspaper owners that they were “likely to fare well” under his media ownership rule changes. “I could have written the speech myself,” CEO William Dean Singleton of MediaNews announced ecstatically.

Then, in May, a revealing report from the nonpartisan Center for Public Integrity (CPI) disclosed what Powell and FCC staffers had been doing most of the spring. Since the formal review of media rules had been announced in September 2002, FCC officials had held seventy-one closed-door, off-the-record meetings with corporate media CEOs and their lobbyists, but only five such meetings with public interest groups. Rupert Murdoch and Viacom’s Mel Karmazin had each had a series of meetings with commissioners and staffers in late January and early February, precisely when the FCC was crafting its new ownership rules. On March 11, a group of Disney executives met with eighteen different FCC officials in six different closed-door meetings. That was probably more contact than most consumer groups had had with the FCC in a decade.

The CPI also reported that corporate interests had lavished \$2.8 million on FCC members for junkets over the previous eight years and that much of the data the FCC used to make its determinations of policy was provided by industry. Finally, on June 2, a *Wall Street*

Journal investigative report disclosed that Bear Stearns media analyst Victor Miller, whose job is to advise large investors concerning media stocks, played a central role in helping the FCC draft the new ownership regulations. Michael Powell's top aide, Susan Eid, defended Miller's role: "His analysis is rock-solid." (Before the end of 2003, Michael Powell's chief of staff who helped craft the new ownership rules left the FCC to become a top lobbyist for the NAB.) As Charles Lewis, CPI's director, concluded: "The idea that the FCC can render an objective, independent judgment about media ownership is laughable."

In February Powell had encouraged Americans to use the Internet to let the FCC know their thoughts on media ownership. In the past, on its most controversial issues, the FCC had received about 5,000 calls and letters. With interest picking up speed like a hurricane crossing the open sea, the number of e-mail messages, letters, and petition signatures reaching the FCC had climbed to an extraordinary 750,000 by the end of May. There was so much incoming e-mail that the FCC's computers crashed. All examinations of the contents indicated that a good 99.9 percent opposed relaxing the media ownership rules, and many citizens favored tightening them. There was almost no indication that anyone in the country, aside from big media owners, strongly favored relaxing the rules.

When the CNN business program *Moneyline with Lou Dobbs* ran an on-air poll in May asking whether "too few corporations own too many media outlets," fully 98 percent said yes. The city councils in Chicago and Seattle passed resolutions against the relaxation of media ownership rules—Chicago by a unanimous vote. What was most astonishing, as a *Christian Science Monitor* study determined, was that this resistance had developed with very little press coverage, especially for a story of this magnitude. Shamelessly, Powell boasted about the "extraordinary amount of public comment" the FCC had received, enabling it to address the issues "through the eyes and ears of the American public." But no matter how Powell tried to spin it, he had decisively lost the battle for public opinion.

From the FCC to Congress

Throughout the spring as public attention was being drawn to the issue of media ownership, a sense of impending doom hung over the opposition since it was obvious that Powell was determined to ram the changes through. The counsel Powell was getting from the Bush administration fortified his resolve. In April, Commerce Secretary Don Evans informed Powell in no uncertain terms that the White House expected the ownership rules to be relaxed as planned

and without delay. The Bush administration's interest in delivering relaxed media ownership rules to the media giants could be explained by its ideological commitment to "deregulation." It was possibly influenced as well by media corporations' large political donations, especially toward Republicans. Certainly the Bush administration's stance did nothing to discourage such donations.

In addition, the Bush administration counted some close political friends in the corporate media community. Some of the media firms most aggressively lobbying against the ownership rules were strong ideological allies. Clear Channel had a close relationship with Bush going back to his stint as Texas governor, and its stations were notorious for their pro-Republican slant. Rupert Murdoch's Fox News Channel was similarly well-known as a bastion of Republican support; in October 2003, Charles Reina, who worked as a producer and writer at Fox News Channel from 1997 until he resigned in 2003, revealed that the station's management gave daily directives on issues and angles to cover that tended to correlate with White House spin. Indeed, Roger Ailes, head of Fox News Channel, had offered advice to President Bush about how to react to the 9-11 attacks.

There were even suggestions in the trade press that the administration's FCC stance was payback to the media for its treatment of Bush during the 2000 election and after, with an eye toward encouraging continued favorable coverage in the future. Generally soft media coverage extended beyond news reporting: In September 2003, Viacom's Showtime aired a docudrama, *DC 9/11: Time of Crisis*, which portrayed George W. Bush as a cross between Winston Churchill and Abraham Lincoln. Only two months later, Viacom's CBS canceled a miniseries on Ronald Reagan when Republican critics charged it was unsympathetic; the station then passed a watered-down version to Showtime to fend off critics charging censorship. The *Financial Times* noted that News Corporation's Fox News Channel hammered CBS on this issue and Viacom caved in exactly as the media ownership rules were in jeopardy on Capitol Hill. Even the rabidly antiregulation trade publication *Broadcasting & Cable* was appalled by CBS's cave-in, paraphrasing Viacom's position as "we'd better do what we're told by the D.C. powers that be—in this case, the Republican National Committee—if we want to be able to buy more stations."

While we may never know the Bush administration's precise motives, it was clear that relaxation of media ownership rules had become a high priority. From its vantage point, supporting the media giants seemed to be a no-lose proposition.

On the opposing side, in the spring of 2003, activists intensified their pressure on Powell to disclose the proposed rules changes so

that the public could provide input before the FCC vote. Even the trade publication *Television Week* urged Powell to "bring the public into the process." "We don't know what we're going to be working on," a frustrated Copps said in early May. "It's like a state secret." The new rules were finally turned over to Copps and Adelstein on May 12, exactly three weeks before the planned June 2 vote, the legal minimum notice. As expected, the rules called for eliminating the ban on cross-ownership, permitting companies to purchase two TV stations in most markets and three TV stations in the largest markets, and letting the biggest TV station-owning companies increase their market coverage from 35 percent to 45 percent of the population. Copps and Adelstein immediately asked for a delay of the vote, a "traditional right of commissioners," which had never been denied in anyone's memory. Powell rejected the request, citing counsel by Abernathy and Martin. Over Memorial Day weekend, for yet another first in U.S. media history, demonstrations protesting the FCC's impending relaxation of media ownership rules took place in fourteen cities.

The outcome of the June 2 FCC meeting was a foregone conclusion, but the debate was far from anticlimactic. Copps and Adelstein each delivered long and meticulous dissenting statements that exposed the majority's arguments to be baseless and the FCC's review to be nothing short of fraudulent. As Adelstein put it, the review was a "results-driven process" in which principles were nonexistent and evidence was emphasized or ignored depending upon whether it justified the desired end. (When analysts for the Consumers Union and the Consumer Federation of America were finally able to spend weeks inspecting the FCC's 257-page order, the federation's research director concluded, "The FCC cooked the books to come up with the result they wanted—and the books aren't even half baked.") Copps and Adelstein both were clearly moved by the outpouring of popular support during the process. "We'll look back upon this 3-2 vote as a pyrrhic victory," Copps concluded. "The Commission faces a far more informed and involved citizenry. The obscurity of the issue that many have relied upon in the past, where only a few dozen inside-the-Beltway lobbyists understood the issue, is gone forever." Adelstein ended his statement by paraphrasing Winston Churchill: "This is not the end, or even the beginning of the end, but just the end of the beginning."

Adelstein was more accurate than he may have realized. In all the commotion surrounding Powell and the FCC during the first half of 2003, Congress's role had received little attention. In fact, the FCC is not a body like the Supreme Court, established to be independent of the legislative branch. To the contrary, the FCC was created by Congress, funded by Congress, and expected to fulfill

the interests of the American people as specified by Congress. The court decision shifting the burden of proof to the FCC to justify the continuation of media ownership rules was predicated on that being the will of Congress. Powell acknowledged at all times that if Congress was dissatisfied with the FCC's actions, all it had to do was pass legislation instructing him to do something else.

Under normal circumstances, Congress would be unlikely to pester the FCC to act against powerful media interests, due to the media industry's massive lobbies, control over the news, and hefty campaign contributions. But these were not normal circumstances. Even if Bush's FCC appointees Powell, Abernathy, and Martin could afford to ignore the input of 750,000 Americans, members of Congress had to pay closer attention to their constituents. And Congress was getting the message. Two days after the FCC vote, the Senate Commerce Committee called all five FCC commissioners to the Hill to explain the vote and spewed unbridled contempt. "We are moving to roll back one of the most complete cave-ins to corporate interests I've ever seen by what is supposed to be a federal regulatory agency," Senator Byron Dorgan of North Dakota declared. Ranking Democrat Ernest Hollings of South Carolina accused Powell of "spin and fraud" and slammed the FCC as an "instrument of corporate greed."

A few days later, Republican committee chairman John McCain remarked that the media ownership issue had "sparked more interest than any issue I've ever seen that wasn't organized by a huge lobby." A handful of conservative Republicans such as Trent Lott and Representative Frank Wolf of Virginia came out strongly against the FCC changes, despite pressure from on high. "I did not get elected to be a potted plant," Wolf asserted, "and I don't care what the White House thinks." "In all the years I've been here," California senator Barbara Boxer observed, "I've not seen such deeply held feelings across ideologies." "It's an issue that has huge momentum," McCain concurred. "It's a classic populist issue." The politicians with their fingers firmly on the national pulse, the nine candidates campaigning for the Democratic presidential nomination, all came out strongly against Powell and the FCC. By the end of June the Senate Commerce Committee, with significant Republican support, voted to overturn key elements of the FCC rule changes. The vote shocked the political establishment and demonstrated that the issue was in play on the Hill.

Public opinion research confirmed what members of Congress were sensing. A Pew Research Center Poll conducted in summer 2003 found that the number of Americans who had heard "a lot" or "a little" about the FCC's review of media ownership rules had doubled to nearly 50 percent since February. Most striking, the

figures showed dramatically that the more people knew about what the FCC was doing, the less likely they were to support it. Of those 12 percent of Americans who had "heard a lot," seven in ten believed that the effects of relaxing media ownership rules would be negative, while only 6 percent thought they would be positive.

By now Powell and the commercial media had quit suggesting that rule relaxation had popular support. To the contrary, they started arguing that most Americans were apathetic and that apathy should be interpreted as support for the status quo. Powell asserted that he represented the "silent majority" of Americans, those who "yawn at the whole thing." His constituency was made up of those who "are in a fraternity watching TV and drinking beer and happy" and oblivious to the debate. Powell presented a contradictory stance: he announced that support for his ownership plan was minuscule only because the public debate had been "lopsided" against him—yet he had done everything possible to avoid public debate because, as surveys showed, the more people knew, the more ground he lost. His strategy, as he tacitly acknowledged, was to keep people ignorant—the FCC's *modus operandi*—so he could then claim their support for whatever he did.

The poll energized activists, who knew that the more people learned about the issue and the more members of Congress heard from their constituents, the more likely Congress could be persuaded to overturn what the FCC had done. Russ Feingold related that on a trip home to Wisconsin, the popular opposition to the FCC overwhelmed him. "When they heard that these rules came out," Feingold recalled, "They were angry." For the balance of the summer and fall, activist attention went toward generating more public pressure upon members of Congress. On Capitol Hill, a wide range of public interest groups conducted the lobbying effort, led by Consumers Union, Free Press, Common Cause, MoveOn.org, and organized labor. On numerous occasions MoveOn.org used its vast subscriber list to generate petition signatures and telephone calls by constituents to Congress. In one afternoon alone, House members received an estimated 40,000 dissenting telephone calls from constituents. As Democratic Representative David Price of North Carolina put it, his colleagues were saying, "Call off the dogs, my office is being flooded with constituent calls on this issue." By the calculation of FCC commissioner Jonathan Adelstein, over 2.3 million comments registering opposition to media concentration were made to either the FCC or Congress by the end of the summer.

The problem facing opponents of the FCC ownership plan was getting legislation through Congress. Despite having a clear majority of members of Congress opposing the FCC, White House pressure

and the Republican leadership were able to keep the measure from coming to the floor of Congress for a vote. Although the matter remains alive until the 2004 elections produce a new Congress, the outlook on Capitol Hill is not especially bright. For media activists across the nation it seemed like the fix was in. Big money rigged the system to foil the will of the people.

But all was not lost, not at all. The activist group, Media Access Project, filed a petition with the Third Circuit Court of Appeals in Philadelphia, on behalf of the Philadelphia-based Prometheus Radio Project, arguing that the media ownership rule changes violated federal statutes and were generated improperly. To get the case out of the dreaded Washington, D.C. court of appeals, activists had filed lawsuits in federal courts around the country. When all the cases were consolidated, a lottery was used to pick a federal appeals court to adjudicate. The D.C. court had three-to-one odds stacked against it, and Philadelphia won. Even so, winning the case was regarded as a long shot, but on September 3 the court agreed to hear the case. More important, the court issued an immediate stay so that the rule changes would not be put into effect. "The harm to petitioners absent a stay would be the likely loss of an adequate remedy should the new ownership rules be declared invalid in whole or in part," the court wrote. "In contrast to this irreparable harm, there is little indication that a stay pending appeal will result in substantial harm to the commission or to other interested parties."

Copps was satisfied by the turn of events: "The court has done what the commission should have done in the first place." As the *New York Times* noted, "The court raised tough questions for the commission and its industry supporters" that suggested the future could not be predicted. Although the case would not be settled until sometime in 2004, it constituted an enormous victory for opponents of media concentration. It bought time to work the halls of Congress to get the FCC's rules overturned before they could go into effect.

Epilogue: The Hardest Battle Has Been Won

Regardless of the outcome of the media ownership fight of 2003, the episode was a remarkable and unprecedented moment in U.S. media history. For the first time in generations, media policy issues were taken from behind closed doors and made the stuff of democratic discourse and political engagement. The change in climate since 1996—when the corrupt Telecommunications Act had been drafted, debated, and passed in almost total silence—could not have been more dramatic. Most incredible of all, in January 2003 nobody anticipated this transformation.

It remains to be seen where, exactly, this movement is going. By

the beginning of 2004, the meager mainstream news coverage had disappeared, and there were considerable pressures to have the issue return to backrooms with a billion dollar ante for admission. But there was no reason to think public opinion had shifted back. In December, CNN's *Lou Dobbs Tonight* ran another informal poll on the question "Do you agree big media companies should be broken up?" Over 96 percent of the 5,000 plus respondents said yes.

As the dust clears, we can see that the fight that galvanized the nation in 2003 was a defensive one; even if it had been successful, it still left the media system where it had been on June 1, 2003. For most Americans involved, it was the severe problems with the existing media system that drove them to organize to keep matters from getting worse—so it was predicated on a belief that the status quo is no longer acceptable. The challenge for those who support democratic media policy making, and a democratic solution to the problem of the media, is to harness this energy and not allow it to dissipate. But the most important struggle is simply to convince people that the media are political forces that can be shaped, not natural ones that must be endured. Once people grasp that, as they did in 2003, the possibilities for change and for democracy suddenly become much greater. With this in mind, people can also see how much of the status quo's power lies in keeping them ignorant of their basic democratic rights and responsibilities.

Whether the United States is approaching a critical juncture with regard to media policy making is yet to be seen. That will depend on the ability of the media reform movement to connect with many other organized political forces in the nation—for example, labor, civil rights, feminism, environmentalism—and draw them deeper into the battle. These groups need to understand that as long as the media system remains as it is, the prospects for viable social change are limited. Media reform and campaigns for social justice are inexorably linked.

In November 2003 the first National Conference on Media Reform was held in Madison, Wisconsin. The conference organizers expected a turnout of two hundred when the conference was originally proposed in December 2002. Eleven months later it drew nearly two thousand people from all over the nation. It is amazing what a little political success does to a movement's self-confidence and ambitions. Media reform has gone from being an abstract issue with no sex appeal to one that is downright populist. It cuts across the political spectrum. It allows for incremental victories—unlike, say, campaign finance, for which any piecemeal reform invariably leaves destructive loopholes. It can draw in allies for help on specific measures, even though they might not support others. It is politically flexible.

A whole cohort of media activist groups entered 2004 energized. They drew up media reform proposals that were proactive, and not merely defensive, and that covered a broad range of issues. I do not mean to exaggerate the position we are in today; many will argue that the power of organized money will overwhelm efforts to organize people. We have a very long way to go. But the very hardest battle has been won. Media reform is now thinkable. Nothing will ever be the same again.

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The Right Not to Work

Power and Disability

SUNNY TAYLOR

I have a confession to make: I do not work. I am on SSI.¹ I have very little work value (if any), and I am a drain on our country's welfare system. I have another confession to make: I do not think this is wrong, and to be honest, I am very happy not working. Instead I spend the majority of my time doing the activity I find the most rewarding and valuable, painting.

The very first thing that people ask me when I say I am a painter is "Do you sell your work? Are you supporting yourself?" I actually do sell my work, but I do not support myself from these sales. I hate this question and I feel ashamed no matter how I answer it. This is because I always feel like this question is a test; a test to see whether my lifestyle and hobby are legitimate; and money is the gauge of this legitimacy. Is money really where all value lies? Are my art and my lifestyle really less meaningful because I do not support myself financially?

Due to my disability (arthrogryposis multiplex congenita), I paint holding the paintbrush in my mouth instead of my hands; I use an electric wheelchair for mobility. When I first realized that due to my impairment I might be unable to work in a traditional job, I was worried about my financial future, but it never occurred to me to worry about my life's value as a "nonproductive" citizen. However, I think that I am unusually fortunate to have been raised with a belief in my own inherent value, because many disabled people seem to carry a deep "non-working guilt," even if they are successful in other areas.

This became even more apparent to me last September, when I participated in my first protest for disability rights. The event, a two-week, 144-mile march from Philadelphia to Washington, D.C., was organized by one of the disability movement's most prominent groups, ADAPT (American Disabled for Attendant Personal-care Today). ADAPT has been at the forefront of disability rights for over twenty years. This was not only my first action, it was also my first time to be completely surrounded by other disabled individuals. At first I was very intimidated. However, once I got beyond the panic

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of camping out in parking lots and traveling on the highways with two hundred of the most physically challenged individuals I'd ever met, I decided to use the time to research the disability movement and to hear other disabled people's perspectives. There were two points that came to fascinate me over the course of the march. The first was simply the lack of press our efforts received (we were barely mentioned by national news and virtually ignored by the left-wing media). The second was more subtle; it was the guilt I realized many activists felt for not working, even amongst those who were physically unable to have what could be considered a regular job.

Before they came to focus on institutionalization, ADAPT was at war with the public transit authorities. ADAPT (originally American Disabled for Accessible Public Transit), started as a project of the Atlantis Community² in Denver, Colorado, in 1983. Their goal was to make public transportation accessible to persons with disabilities, so that those people who had managed to live outside institutions could also participate in their communities. For seven years ADAPT blocked buses, closed off streets, and participated in numerous other forms of civil disobedience across the United States, to protest for the right to ride. ADAPT's peaceful direct action demonstrations eventually paid off when they helped to pass the Americans with Disabilities Act (ADA) in 1990, which requires that public transit be accessible. Clearly the next issue to fight for was attendant services, so that there would be more disabled people living independently in their own communities who would have the freedom to utilize the new lifts.

And that is what the September march focused on: the "stolen lives" of the nearly two million people who are currently "warehoused" in nursing homes and Intermediate Care Facilities for the Mentally Retarded (ICFMRs). Over two hundred of us in our wheelchairs went the 144 miles, from the Liberty Bell to Capitol Hill, to protest for the passage of the Medicaid Community Attendant Services and Supports Act (MiCASSA), which would provide in home care for those who are now stuck in nursing homes. America has over 17,000 nursing homes, two-thirds of which are for-profit ventures. MiCASSA would allow people to decide how their individual Medicaid dollars should be spent, instead of funneling them into the \$70 billion nursing-home industry. On average it costs \$9,692 annually to provide someone with Medicaid Assistive Services. However, the national average annual cost to house one person in a nursing home is \$40,784 and the standard of services in these institutions is often shockingly low.³ There is often a high incidence of physical and sexual abuse, as well as negligence

to hygiene and psychological needs. Even at best, individuals are still stripped of countless freedoms people on the outside take for granted—such as choosing when and what to eat, when to sleep, and even who to talk to.

Despite the fact that two million people are denied the privilege of determining where and how they live and who cares for them, the lack of press garnered by our two-week trek (and on disability issues more generally) does not exactly constitute a mystery. Disabled people are regarded as disadvantaged citizens, and so this fact is not news in itself. Disability is most commonly perceived as a personal tragedy, isolated and spontaneous, and so rarely worthy of a second thought let alone headlines (unless as a human interest story). Disabled people are far from enjoying the advantages of social or economic equality, but the point is that they are far from even being seen as a deserving identity group. While issues regarding racial, gender, and sexual orientation equality are all at the forefront of political and social theory, disabled people are almost always left out of these conversations. The disabled are viewed with sympathy as victims of “bad luck” who will simply have to accept disadvantage as their lot in life, not as an identity group that is systematically discriminated against. Unlike sexism and racism, which are perceived to be significant social problems, disability falls under the social radar and disablism is not recognized as a damaging or even particularly serious form of prejudice.

The idea of disability as something to pity is highly damaging to our cause. As a physically challenged individual who enjoys and is grateful for her body and her life, this view of my situation is offensive and presumptuous. Unfortunately, it seems to be the dominant way in which disabled individuals are still seen. Without a doubt, many strides have been made over the last thirty years, such as improvements in disability legislation and equal access laws, thanks to the work of civil rights advocates. But despite these tremendous advances, disability remains a fringe issue. Of the many social movements that became visible during the sixties and seventies (civil rights, women’s liberation, gay rights, and environmental advocacy, among others) disability movements rarely merit a mention. It may seem glib, yet part of this willful ignorance of disability politics may stem from the simple fact that impairment is perceived as neither cool nor sexy. This lack of “cool” is a hard thing to fight, since it is hard to ever foresee disability as becoming fashionable like many movements that have been co-opted by that holy of U.S. holies, marketing. We have black-power afros on models in ads and the phenomenon of “girl power” as the latest

marketization of feminism; it is next to impossible to picture a wheelchair or incontinence becoming the next hip iconography. Of course, the point is that it shouldn't have to be. If people are sincere in their praise of equality and difference they will have to get over finding some differences "cooler" and more praiseworthy than others.

One fact that makes disability so hard to understand is that there is no single model of disability; the human body can be impaired in an almost infinite number of ways, and people of all walks of life can become impaired. "As with the population as a whole, disabled people are characterized by difference rather than normality: differences in terms of gender, minority ethnic background, sexual orientation, age abilities, religious beliefs, wealth, access to work and so on. Clearly, their situation cannot be understood or, indeed, transformed by any theory or policy which is based on conventional notions of normality and the existence of a single set of culturally dominant values."⁴ The only thing impaired people have in common is their political disablement and the economic, behavioral, and emotional similarities that impairment can cause. Disability, partly as a result of this intense differentiation of those people affected, may be the only branch of the civil rights movement that cannot be appropriated. Disabled people are an example of a movement and identity whose image and capabilities are infinitely various. This variety, however, is what makes us so difficult to incorporate into the modern corporate environment; what changes will need to be made for us, what adaptations, what special accommodations, what costs will be incurred, and what profits diminished?

Despite advances, both in theory and in practice, disability rights remain some of the last to be thought about, and as a result are typically some of the first to be forgotten when it comes time for cutbacks or budget "reform." The disability movement has failed as of yet to convince people that our existence in society is valid and essential. The public remains unconvinced that our struggle is actually theirs as well; advocates for the disabled are *de facto* fighting for the rights of the elderly, and many of the services they are demanding will help their able-bodied counterparts as well, both directly (for example, when a worker become temporarily impaired or by providing able-bodied individuals with more options as they inevitably age) and indirectly (they may enjoy peace of mind because a loved one is living happily in their own home with the help of an attendant). We have failed to get our point across; but what is our point? Perhaps it is best expressed in the idea that disability is a political issue not a personal one.



Sunny Taylor,
Self-Portrait
(2003)

Original one
is in colour

Disability theorists make this clear by making a subtle but significant distinction between disability and impairment. The state of being mentally or physically challenged is what they term being impaired; with impairment comes personal challenges and drawbacks in terms of mental processes and physical mobility. To be impaired is to be missing a limb or born with a birth defect; it is a state of embodiment. Being impaired is hard. Without a doubt, it makes things harder than if one is not impaired. However, more often than not, the individual accommodates for this impairment and adapts to the best of their ability. For example, I am impaired by arthrogryposis, which limits the use of my arms, but I make up for this in many ways by using my mouth.

Disability, in contrast, is the political and social repression of impaired people. This is accomplished by making them economically and socially isolated. Disabled people have limited housing options, are socially and culturally ostracized, and have very few career opportunities. The disabled community argues that these disadvantages are thus not due to impairment by its nature, but due to a cultural aversion to impairment, a lack of productive opportunity in the current economy for disabled people, and the multi-billion dollar industry that houses and "cares" for the disabled population that has developed as a consequence of this economic disenfranchisement. This argument is known as the social model of disability.⁵ Disablement is a political state and not a personal one and thus needs to be addressed as a civil rights issue.

Viewing disability in a materialistic framework demonstrates how this political repression functions. Take disability theorist Brendan Gleeson's adaptation of the analysis of Karl Marx, who defined nature as existing prior to and independent of human experience, and yet simultaneously as something that "attains its qualities and meanings by means of a transformative relationship of human labor." Nature exists outside society as an objective reality, but it is also used and changed by humans to meet their needs. Marx used the notion of "two natures" to describe this historical transformation and he argued that this change was formed through human labor. Almost all of the terrestrial "natural world" has been somehow altered through human intervention, and nature is indissolubly connected to human society. Marx used this analysis of nature to show how the capitalist mode of production "altered nature so as to deny for much of humanity their species potential." Nature pre-exists social formations, but is itself evolving also, not only due to biological and ecological factors, but also through human intervention. Each human relates to nature through their own physical experience as gendered, as aged, and as abled, and each

experience of embodiment should be seen as both historically and socially evolved through natural elements. The body is both a biological fact and cultural artifact; "the former constitutes a pre-social organic base upon which the latter takes form."⁶ Disability activists and theorists see impairment as equivalent to "first nature" and disability as an example of "second nature."

Marx and later theorists have shown how capitalist development has privileged certain biological forms of embodiment (for example white able-bodied males). Because of this, it is important when trying to understand the impact of space on bodies (for instance inaccessible buildings and transportation), to consider who is forming (and has formed) spaces and who inhabits them. The extreme inaccessibility and alienation felt by impaired people may not be a natural consequence of their own personal embodiments in the twenty-first century, but instead a complex system of historical, cultural, and geographical discrimination that has evolved inside and alongside capitalism and that we now simply regard (and too frequently dismiss) as disability. Crippled and elderly people have an especially precarious relationship to the machine that is production and consumption. People work hard, they age, their efficiency inevitably lessens and, unless they are fortunate enough to have some savings stashed away, they are too often put in nursing homes where their new value will be as "beds." As Marta Russell has astutely pointed out, the institutionalization of disabled people "evolved from the cold realization that people with disabilities could be commodified...People with disabilities are 'worth' more to the Gross Domestic Product when occupying a bed in an institution than when they're living in their own homes."⁷

Gleeson argues that with the transition from feudalism to capitalism, impaired people became unproductive members of society and thus disabled. The rise of commodity relations profoundly changed those processes of social embodiment that originated in work patterns. In particular this political-economic shift lessened the ability of impaired people to make meaningful contributions to their family and households. Markets introduced into peasant households an abstract social evaluation of work potential based upon the law of value; that is to say, the competition of labor-powers revealed as average socially necessary labor times. This productivity rule devalorized the work potential of anyone who could not produce at socially necessary rates. As households were progressively drawn into dependence upon the competitive sale of labor-power, their ability to host "slow" or "dependent" members was greatly reduced.⁸

Due to the social arrangement of peasantry in medieval Europe,

impaired people were commonly integrated into the economic and social system, Gleeson explains. "The feudal peasantry was characterized by a relatively intimate union between domesticity and labor," which allowed for the social use of the various skills and abilities of the impaired. Most of the impaired lived with their families and did contribute to their household's economy. Due to the self-sufficient economy of feudal society each member of the household had to contribute some form of labor so as to balance out their own needs. Because of the abundance of jobs that needed to be done to keep a household fed and warm, it was almost always possible for an impaired member of the house to contribute. It seems the concept of the helpless had not been invented yet, and challenged people were expected to contribute what they could. "The material context of feudal production allowed peasant households a great degree of liberty in designing everyday tasks that would match the corporeal capacities of each family member."⁹

This is not to say the feudal era was a utopian time for the impaired, but instead is an attempt to demonstrate that our current conception of disability and the position of the disabled are not absolute and should be challenged and changed. In contemporary American rhetoric there is a strong emphasis on independence and self-sufficiency. America is the country where everyone has the opportunity to become "independent." A person, if strong enough, can lift herself up by her bootstraps and own the American dream of a nice new car, a big house, and a good retirement plan; or better yet, she can live the new American dream and become rich, famous, and beautiful. Independence is perhaps prized beyond all else in this country and for disabled people this means that our lives are automatically seen as tragically dependent. Michael Oliver, like many disability theorists, argues that dependence is relative. We as a society are all dependent on each other. The difference between the way the disabled community sees dependence, and how the rest of society views it, is that there is not so much emphasis on individual physical independence. "Professionals tend to define independence in terms of self-care activities such as washing, dressing, toileting, cooking and eating without assistance. Disabled people, however, define independence differently, seeing it as the ability to be in control of and make decisions about one's life, rather than doing things alone or without help."¹⁰ Today, independence is more about an individual being in control of their own services (be it education, plumbing, electrical, medical, dietary, or personal care), than it is about an individual being completely physically self-sufficient; this is true not only for the disabled population, but for the population in general. This ideal of physical

self-sufficiency is a byproduct of the rhetoric of economic self-sufficiency. But no one partakes in American capitalism independently; there is no such thing as a "self-made" individual. In this respect, able-bodied people should take a second look at the position of disabled people; perhaps, ultimately, their position as interdependent is not so at odds with the position all able-bodied people occupy.

A huge part of the stigma attached to being disabled is that due to disabled people's physical dependence, they are seen as burdens (because they can't work according to our current standardized economic system). The more impaired someone is the more of a burden they are. In actuality, the only reason that many people are a burden on their family and friends is that they have such limited options. People who try to live independently with the help of loved ones often find that it is next to impossible because the state has no independent living options and so the burden is indeed too great to take on individually. Thus many people, simply due to financial constraints, have no other option but to be put in an institution. In our society it is not the impairment that is the only reason for dependence; it is our impaired system of social services. In my life I have experienced both extreme physical dependence and relative physical independence. I spent years as a preteen trying to figure out how to dress myself and take myself to the bathroom. This was out of a complete conviction that if I were not physically independent I would forever be a burden on my family and that I'd never be free to have my own life. Because of the way the personal care system is set up now, it is true that being physically self-sufficient in these matters has made my life easier simply because I do not have to worry about institutionalization or fighting for a personal care attendant. However, my life has not changed that dramatically with the ability to pee or change my clothes when I want to, and I have since realized how little it affected my ego or my daily routine. The issues that caused me worry during this period were not things that directly were caused by my physical limitations (I was not embarrassed by needing help), but were indirectly caused because of the stigma others attached to needing help and by the worry that these physical necessities could lead me into a life without choices.

Much of the empowering rhetoric in disability movements is about becoming employed and about having equal access to mainstream society. Capitalism has at its root the idea of an individual's worth being intrinsically linked to their production value. Many, though by no means all, disabled people will never be good workers in the capitalist sense: if you cannot move or speak,

it is hard to succeed in a mainstream career. There is a small but significant percentage of the disabled population that has "made it" and has achieved economic equality working as professionals, lawyers, artists, professors, and writers. They are a fortunate minority and the work they do is important. These opportunities have everything to do with class and are not open to all impaired individuals. I, like many people, will never make a good waitress, secretary, factory worker, or bus driver (unless there were massive and expensive adaptations to the bus I was driving), the type of work open to people who lack higher education. It is hard to think of a vocation where my contribution would be desirable in a cost-benefit analysis. The minority of the impaired population that does have gainful employment are paid less than their able-bodied counterparts and are fired more often (and these statistics are more egregious for disabled minorities). To ensure that employers are able to squeeze surplus value out of disabled workers, thousands are forced into dead-end and segregated jobs and legally paid below minimum wage (for example, in the case of "sheltered workshops" for those with developmental disabilities).¹¹ The condescension towards the workers in such environments is severe. Why should working be considered so essential that disabled people are allowed to be taken advantage of, and, moreover, expected to be grateful for such an "opportunity"?

Disabled people are brought up with the same cultural ideals and ambitions and dreams as their able-bodied counterparts; we too are indoctrinated to fetishize work and romanticize career and to see the performance of wage labor as the ultimate freedom. And yet, for the most part, we are denied access to this fantasy; many of us live on government aid or family support or even charity. If you have a severe disability your likelihood of having a job is 26.1 percent (as compared to a rate of 82.1 percent for working-age non-disabled people). Our largest contribution to the economy is as "beds," as nursing homes call the aged and disabled who fill their vacancies and bank accounts. Shouldn't we, of all groups, recognize that it is not work that would liberate us (especially not menial labor made accessible or greeting customers at Wal-Marts across America), but the right to not work and be proud of it? How would this shift in thinking affect the goals and attitude of those concerned with the rights of impaired people or the self-image of those who are impaired themselves?

This is not at all to say that disabled people should cease to be active or that they should retreat into their homes and do nothing (the main problem is already that we are too isolated). The right not to work is the right not to have your value determined by your

productivity as a worker, by your employability or salary. Many disabled people, especially severely disabled individuals, do stay home and thus do not work or are held hostage in nursing homes and are denied gainful employment. What I mean by the right not to work is perhaps as much a shift in ideology or consciousness as it is a material shift. It is about our relation not only to labor but the significance of performing that labor, and to the idea that only through the performance of wage labor does the human being actually accrue value themselves. It is about cultivating a skeptical attitude regarding the significance of work, which should not be taken at face value as a sign of equality and enfranchisement, but should be analyzed more critically. Even in situations where enforcement of the ADA and government subsidies to corporations lead to the employment of the disabled, who tends to benefit, employers or employees?

I want to make clear that I am not saying people should stop fighting for equal rights in our current system, but that we should simultaneously think beyond the system in place. Many disabled people want to work and can work, but are discriminated against by insurance companies and employers. It is very hard as a disabled individual to go to college (every school I've applied to have discriminated against me despite the ADA), and so the disabled have a hard time competing for better jobs. Another catch-22 is that because better jobs are often better paying they can sometimes threaten our SSI insurance, which for the severely disabled is often the only insurance that will cover essential needs; this encourages more people than you would think to stay out of the workplace. The paradoxes and difficulties and the economic and social challenges of being disabled and living on SSI astound me daily; still, I remain unconvinced that fighting for equality within the current system (that is, to some extent, the right to be part of the exploiter class as opposed to being part of the exploited) is the ultimate ideal worth fighting for.

Is the goal to be "mainstreamed" into our current society or to change society? As Michael Oliver says: "It is bizarre for people to think that we as disabled people can live in Britain with full civil rights and all the services we need without fundamental changes. We are not actually talking about tinkering around at the edges of society to let people in. For disabled people to play a full part in British society, this society will have to change fundamentally." Fundamental social change looks like it is a long way off, I'll admit, and in the meantime we are frequently told the only way to change the system is to participate in it. The more economic and social affluence one has, the more one can maneuver within the

system. I am told the way individuals achieve this is through building a successful career, through working. All of this holds some important truth. The first step to equality is independent living and getting people out of nursing homes. Once out of nursing homes, impaired people also need an accessible environment so they can interact with others who live in their community and share their interests and overcome the problem of geographic and environmental isolation. These material changes (accessible buildings and transit, and independent living) are absolutely necessary for the liberation of the impaired population. Many disabled have in fact fought for a living wage (it was an early disability cause in Britain), a cause worthy of the support of advocates for the impaired and for humanity in general; yet this cause necessarily demands a reevaluation of the role and significance of work and implies a right not to work as well as a right to live.

In a capitalist consumer society where everyone wants the perfect face, perfect job, perfect family, and perfect body, disability will never be appreciated or even fully accepted. In a culture in which the appearance of self-sufficiency and autonomy is essential, the dependence of disabled people (because they do not live up to this myth), may always be reviled or at least patronized. Even progressive institutions and people have discriminated against me more times than I can count. Progressives, like most able-bodied people, are loathe to identify with crippled people and more often than not refuse to acknowledge two simple truths. The first is that they, if they live long enough, will join our ranks. Impaired advocates sometimes joke that people should actually consider themselves "temporarily abled." We all age and most people end up infirm. It is astounding how little concern there is for the quality of life and the unfreedom of the elderly in this society; I can only surmise that it is the result of a collective coping mechanism of denial. The second fact is that the treatment of disabled people is merely a more pronounced form of the condition of other populations in the contemporary workplace. Many Americans lack affordable health insurance, secure employment, and are also denied the right not to work. The casualization of employment, inadequate wages, the return of many senior citizens to the workforce when they can't make ends meet after retirement, the lack of paid vacation, the encroachment of the work week on our weekends and evenings, and mounting debt for the poor and middle classes, all evidence a lack of freedom from work oriented activity and anxiety. Working masquerades as the ultimate freedom and the premiere signal of independence, and yet more commonly seems to represent just the opposite of those two ideals.

I remember one time I was in a flea market in Georgia, and a middle-aged toothless woman came up to me from behind her booth and said, "You're so brave, I would hate to have your life." I was about thirteen and even then I couldn't help but smile because I felt the same way about her. I knew that I most likely would have more options open to me despite my disability than she ever had simply due to the educational advantages I have had and due to my unusual background and supportive family, and that I would hate to have her life too. Human beings are so quick to judge other's existences, but what is even sadder to me is that if people could just take the extra step to see how their experiences are affected similarly, they would most likely find that our repressions share the same roots. What makes my life hard is the same as that which makes the flea-market woman's life hard; we are both victims of a society that does not appreciate our value, or values our contributions in a very limited sense.

Considering these fundamental similarities, it is often surprising to me how often disabled people are excluded from leftist politics and media. Many disability movements (including ADAPT) have tried to join forces with other identity groups in the struggle for change. Disability has not made it into the canon of identity politics and as a result is frequently excluded from progressive struggles. We have been ignored and in fact shunned by women's movements (largely based around misunderstanding regarding the issue of abortion), racial movements, gay and lesbian activists, and to a large degree even workers' unions (an ongoing example is the Service Employees International Union, which, in its attempts to save the jobs of its members who work at Laguna Honda, the world's largest nursing home, has argued that impaired people are invalids who must be institutionalized despite protests from disabled advocates).¹² Sadly, I think this proves that even the most culturally sensitive of people frequently choose not to look past a medical and charitable view of disability. Disability is an obvious example of the need for fundamental structural reform and I am surprised that people who desire change have not more often reached out to our movement. We epitomize many ways in which our political and social systems need to change. We are often born out of war, financial inequality, and environmental degradation. My disability is a birth defect caused by a U.S. Air Force contractor that illegally polluted my neighborhood's ground water. They buried toxic chemicals near our community's wells for over forty years, but did not bother to remedy the situation even after awareness of the damage was raised; most likely this is because the area was inhabited by poor Latino families and residents of a local Indian

reservation. Thousands of people died or became impaired due to the Air Force's negligence. Unfortunately, my case is not rare.

Being impaired or not being normal (which, as I have said, with the help of family and technology and with perseverance can be overcome) is not sexy by common standards and neither is dependence. The fact is that impairment reveals our interdependence and threatens our belief in our own autonomy. And this is where we return to work: the ultimate sign of an individual's independence. For many disabled people employment is unattainable. We often simply make inefficient workers, and inefficient is the antithesis of what a good worker should be. For this reason, we are discriminated against by employers. We require what may be pricey adaptations and priceless understanding. Western culture has a very limited idea of what being useful to society is. People can be useful in ways other than monetarily. The individuals who I marched with may not have paying jobs, but they spend hours each day organizing protests and freeing people from lives in institutions. Isn't this a valuable way to spend ones time? Disabled people have to find meaning in other aspects of their lives and this meaning is threatening to our culture's value system. Though education, legislation, and technological developments may work to level the employment field for some impaired individuals, we should keep some fundamental insights from Marxist economic theory in mind, particularly the theory of surplus value, which dictates that higher profits result from the ability to pay less for labor power than the value imparted by the worker. The same rule that often excludes the impaired from the traditional workplace also exploits the able-bodied who have no other choice but to participate. The right not to work is an ideal worthy of the impaired and able-bodied alike.

Notes

1. The Supplemental Security Income program (SSI) is administered by the Social Security Administration and pays benefits to individuals who are both poor and disabled.
2. See Richard K. Scotch, *From Goodwill to Civil Rights* (Philadelphia: Temple University Press, 2001) 179. "Atlantis took as its dual purposes teaching people with disabilities to live independently and working for civil rights."
3. Christopher H. Schmitt, "The New Math of Old Age," *US News and World Report*, September 30, 2002: 67, 70-74; as well as <http://www.adapt.org>.
4. Michael Oliver, *The Politics of Disablement* (N.Y.: St Martin's Press, 1990).
5. Oliver, *Politics*.

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6. Brendan Gleeson, *Geographies of Disability* (London: Routledge Press, 1999).
7. Marta Russell, "Stuck at the Nursing Home Door," *Ragged Edge Magazine*, <http://www.ragged-edge-mag.com/0100/a0100ft1.htm>.
8. Gleeson, *Geographies*.
9. Gleeson, *Geographies*.
10. Oliver, *Politics*, 91.
11. <http://www.accessiblesociety.org/topics/economicsemployment/shelteredwksps.html>.
12. Russell, "Stuck"; and more recently, Bob Kafka, "Disability Rights Vs. Worker Rights," November 14, 2003, <http://www.zmag.org/content/showarticle.cfm?SectionID=47&ItemID=4503>.

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From Racial to Class Apartheid

South Africa's Frustrating Decade of Freedom

PATRICK BOND

The end of the apartheid regime was a great human achievement. Yet the 1994 election of an African National Congress (ANC) majority—with Nelson Mandela as the new president—did not alter the enormous structural gap in wealth between the majority black and minority white populations. Indeed, it set in motion neoliberal policies that exacerbated class, race, and gender inequality. To promote a peaceful transition, the agreement negotiated between the racist white regime and the ANC allowed whites to keep the best land, the mines, manufacturing plants, and financial institutions. There were only two basic paths that the ANC could follow. One was to mobilize the people and all their enthusiasm, energy, and hard work, use a larger share of the economic surplus (through state-directed investments and higher taxes), and stop the flow of capital abroad, including the repayment of illegitimate apartheid-era debt. The other was to adopt a neoliberal capitalist path, with a small reform here or there, while posturing as if social democracy was on the horizon.

A few months prior to the democratic election on April 27, 1994, a transitional South African government was formed incorporating both the ANC and the National Party, which had been in power for 45 years thanks to whites-only voting. Even as racist laws were tumbling and the dignity of the majority black population was soaring, December 1, 1993, was the point at which the struggle for socioeconomic justice in South Africa was conclusively lost, at least temporarily. The very first act of that interim government was to accept an \$850 million loan from the International Monetary Fund, ostensibly for drought relief, although the searing drought had ended 18 months earlier. The loan's secret conditions—leaked to the main business newspaper in March 1994—included the usual items

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The author has compiled a reading list (at the end of the essay) for those who wish to learn more about post-apartheid South Africa.

from the classical structural adjustment menu: lower import tariffs, cuts in state spending, and large cuts in public sector wages. In addition, Michel Camdessus, then IMF managing director, put informal but intense pressure on incoming president Mandela to reappoint the two main stalwarts of apartheid-era neoliberalism, the finance minister and the central bank governor, both from the National Party.

Another crucial milestone was reached in June 1996, when the top echelon of ANC policymakers imposed a "nonnegotiable" wide-ranging economic strategy without bothering to consult its Alliance partners in the union movement and the South African Communist Party (SACP), much less its own constituents. The World Bank contributed two economists and its model for the exercise, known as "Growth, Employment and Redistribution" (GEAR). Introduced to promote investor confidence in the wake of a currency crash, GEAR allowed the government to distance itself psychologically from the somewhat more Keynesian "Reconstruction and Development Program," which in 1994 had served as the ANC's campaign platform. The promises generated by the World Bank's econometric model were grand indeed: by 2000, the South African economy would be growing at 6 percent and creating 400,000 new jobs each year.

The Post-Apartheid Record

The transition's flaws are excused by some ANC supporters as temporary reversals along what is a broadly progressive trajectory, unique in Africa. A recent document, "Towards a Ten-Year Review," available on the government's Web site, makes grandiloquent claims to support such an interpretation. The November 7, 2003 *ANC Today* newsletter on the ruling party's Web site draws on the review to promote the post-apartheid economy: "Since the ANC was elected to government in 1994, South Africa has achieved a level of macroeconomic stability not seen in the country for 40 years...After the massive investment outflows of the 1980s and early 1990s, the country has had positive levels of foreign direct investment over the last ten years...Between 1995 and 2002 the number of people employed grew by around 1.6 million people."

Most such claims are distortions or outright fibs. For the ANC to brag of a level of macroeconomic stability not seen in the country for 40 years is to ignore the easiest measure of such stability: exchange rate fluctuations. In reality, the three currency crashes witnessed over a period of a few weeks in February-March 1996, June-July 1998, and December 2001 ranged from 30 to 50 percent, and each led to massive interest rate increases that sapped growth and rewarded the speculators. These moments of macroeconomic

instability were as dramatic as any other incidents during the previous two centuries, including the September 1985 financial panic that split big business from the apartheid regime and paved the way for ANC rule.

Domestic investment has been sickly (with a less than 2 percent increase per year during the GEAR era when it was meant to increase by 7 percent), and were it not for the partial privatization of the telephone company, foreign investment would not even register. Domestic private sector investment was negative for several years, as capital effectively went on strike, moving mobile resources offshore as rapidly as possible. Yet, of all GEAR's targets, the only ones reached successfully were those most crucial to big business: inflation (down from 9 percent to 5.5 percent, instead of GEAR's projected 7-8 percent); the current account (in surplus, not deficit as projected); and the fiscal deficit (below 2 percent of GDP, instead of the projected 3 percent).

The reality is that South Africa has witnessed the replacement of racial apartheid with what is increasingly referred to as class apartheid—systemic underdevelopment and segregation of the oppressed majority through structured economic, political, legal, and cultural practices. Although slightly more expansive fiscal policies were adopted after 2000, Pretoria's neoliberal orientation has never been in doubt. Current president Thabo Mbeki succeeded Mandela in May 1999, but had served as the government's main policy architect and administrator from the start of the transition, as well as the key arbiter in the ANC's unending internecine conflicts.

Job loss has been the most damaging aspect of South Africa's embrace of the neoliberal economic approach. Instead of the employment growth of 3-4 percent per year promised by GEAR proponents, annual job losses of 1-4 percent characterized the late 1990s. South Africa's official measure of unemployment rose from 16 percent in 1995 to 30 percent in 2002. Adding frustrated job-seekers to that figure brings the percentage of unemployed people to 43 percent. Meanwhile, labor productivity increased steadily and the number of days lost to strike action fell, the latter due, in part, to the ANC's demobilization of unions and hostility to national strikes undertaken for political purposes, such as the national actions against privatization in 2001 and 2002.

White businesses wanted to escape the economic stagnation and declining profits born of a classic overaccumulation crisis. They felt besieged by international sanctions, and even more by the rise of black militancy in workplaces and communities during the 1970s and 1980s. It is here that the core concession made by the ANC during the transition deal is apparent. The deal represented simply

this: black nationalists got the state, while white people and corporations could remove their capital from the country, although continuing to reside in South Africa to enjoy even greater privileges through economic liberalization. As for division of the national surplus, the pre-tax profit share soared during the late 1990s, to 1960s-era levels associated with apartheid's heyday. Pretoria also cut primary corporate taxes dramatically (from 48 percent in 1994 to 30 percent in 1999) and maintained the deficit below 3 percent of GDP by restricting social spending, notwithstanding the avalanche of unemployment.

As a result, according to even the government's statistics, average black African household income fell 19 percent from 1995-2000 (to \$3,714 per year), while white household income rose 15 percent (to \$22,600 per year). Not just relative but absolute poverty intensified, as the proportion of households earning less than \$90 of real income increased from 20 percent of the population in 1995, to 28 percent in 2000. Across the racial divide, the poorest half of all South Africans earned just 9.7 percent of national income in 2000, down from 11.4 percent in 1995. The richest 20 percent earned 65 percent of all income. It is fair to assume that inequality continued to worsen after 2000.

Notwithstanding deeper poverty, the state raised water and electricity prices dramatically, to the point that by 2002 they consumed 30 percent of the income of those households earning less than \$70 per month. An estimated 10 million people had their water cut off, according to two national government surveys, and 10 million were also victims of electricity disconnections.* Municipal statistics show that 60 percent of the disconnections were not resolved within six weeks, indicating that the blame lies with genuine poverty (not the oft-alleged "culture of nonpayment," supposedly a hangover of anti-apartheid activism). In addition, two million people have been evicted from their homes or land since liberation in 1994. And of 13 million given access to a fixed telephone line for the first time, 10 million were disconnected because they couldn't pay the bill, once cross-subsidies were reduced in the course of privatization.

Gender relations show some improvements, especially in reproductive rights, albeit with extremely uneven access. But contemporary South Africa retains apartheid's patriarchal modes of surplus extraction, thanks to both residual sex discrimination and the migrant (rural-urban) labor system, which is subsidized by women stuck in the former bantustan homelands. These women are

* <http://www.queensu.ca/msp>. Although the water ministry has disputed the figures, they may actually be understatements.

not paid for their role in social reproduction, which in a normal labor market would be handled by state schooling, health insurance, and pensions. This structured superexploitation is exacerbated by an apparent increase in domestic sexual violence associated with rising male unemployment and the feminization of poverty. Women are also the main caregivers in the home, and this entails bearing the highest burden associated with degraded health.

With the public healthcare services in decline due to underfunding and the increasing penetration of private providers, infectious diseases such as tuberculosis, cholera, malaria, and AIDS are rife, all far more prevalent than during apartheid. Diarrhea kills 43,000 children a year, as a result mainly of inadequate potable water provision. Most South Africans with HIV have little prospect of receiving antiretroviral medicines to extend their lives (half a million urgently require drugs at present), thanks to the "denialist" policies of Mbeki and his health minister, which senior health professionals and researchers regularly label genocide. Although a roll-out of medicines was finally promised by the Cabinet in September 2003, Mbeki immediately poured salt in the wounds by denying (in a *New York Times* interview) that he knew anyone who had died of AIDS or was even HIV positive.

Mbeki successfully repulsed local opposition from human rights and arms-control groups to the \$6 billion purchase of sophisticated weaponry from European corporations. Africans are nervous about Pretoria's subimperial interventions. Notwithstanding peace deals in central Africa and Liberia, concerns remain over how durable the interventions are, when they fail to grapple with underlying structural causes of failed states and interethnic conflict. One example of bully-boy diplomacy was Pretoria's 1998 military invasion of neighboring Lesotho to prop up an unpopular government. Moreover, the widespread influence-peddling scandals associated with the arms deal—which in late 2003 threatened Deputy President Jacob Zuma (who allegedly solicited a bribe in a manner the justice minister deemed "prima facie corruption") and forced the resignation of several leading ANC politicians and officials caught in plots with European corporations—suggest that then-president Mandela was correct when he warned that this would be a cancer in the ANC government.

Moving to the environment, it is fair to assess South African ecology today as in worse condition, in many crucial respects—water and soil resources mismanagement, South Africa's contribution to global warming, fisheries, industrial toxics, and genetic modification—than during apartheid. The Lesotho Highlands Water Project has become the highest-profile example of third world development corruption. Africa's biggest dam supplies water to

Johannesburg from the Lesotho mountains, and further dams are being built even though government officials admit they are unnecessary, and despite destructive environmental consequences. In spite of water scarcity there is little sign that these water development schemes will help, since the extremely high costs of water transfer are deterring consumption by poor people. The wealthiest urban (mainly white) families enjoy swimming pools and English gardens, which means that in some of the most hedonistic suburbs per capita water consumption is 30 times greater each day than in low-income townships, some of whose residents do the gardening and domestic work for whites. Rural (black) women stand in line for hours at communal taps in the parched former bantustan areas. The location of natural surface and groundwater remains skewed towards white farmers due to apartheid land dispossession. With fewer than 2 percent of arable plots redistributed (as against a five-year target of 30 percent), Pretoria's neoliberal land policy has conclusively failed to redress this problem.

Other examples of residual apartheid ecology could be cited, including numerous unresolved conflicts over natural land reserves (the displacement of indigenous people continues), the deleterious impacts of industrialization on biodiversity, insufficient protection of endangered species, and generous state policies favoring genetic modification in commercial agriculture. Marine regulatory systems are overstressed and hotly contested by European and East Asian fishing trawlers, as well as by local medium-scale commercial fishing firms fending off new waves of small-scale black rivals. Expansion of gum and pine timber plantations, largely for pulp exports to East Asia, remains extremely damaging, not only because of grassland and organic forest destruction—leading to soil adulteration and far worse flood damage downriver, as Mozambique suffered in 2000–2001—but also due to the spread of alien invasive plants into water catchments across the country. One constructive, high-profile state program has so far slowed but not reversed the advance of alien invasives.

Thanks to accommodating state policies, South African commercial agriculture remains extremely reliant upon fertilizers and pesticides, with virtually no attention given to potential organic farming markets. The government's failure to prevent toxic dumping and incineration has led to a nascent but portentous group of mass tort (class action) lawsuits that may reach beyond asbestos victims to residents who suffer persistent pollution in several extremely toxic pockets (South Durban, Sasolburg, and Steel Valley). In these efforts, the environmental justice movement almost invariably fights both corporations and Pretoria.

Privatization Fails to Deliver

It is important to add that the government's canard of "insufficient state capacity" to solve social and environmental problems has been matched by a willingness to turn resources over to the private sector. If outsourcing, corporatization, and privatization can work anywhere in Africa, they should in South Africa—with its large, wealthy markets, relatively competent firms and advanced infrastructure. However, contrary evidence emerges from the four major cases of commodification of state services: telecommunications, transportation, electricity, and water.

First, consider the mess created in the lucrative telecommunications sector, in which 30 percent of state-owned Telkom was sold to a Houston-Kuala Lumpur alliance. The cost of local calls skyrocketed, leading the vast majority of new lines to be disconnected. Meanwhile, 20,000 workers were fired. Attempts by the government to cap fixed-line monopoly pricing were blocked by the Texas-Malaysia joint venture with a court challenge and a serious threat to sell their Telkom shares in 2002. As a result, Telkom's 2003 initial public offering on the New York Stock Exchange raised only a disappointing \$500 million. Thus, in the process an estimated \$5 billion of Pretoria's own funding of Telkom's late 1990s capital expansion evaporated. A pact on pricing and services between the two main private cellular operators and persistent allegations of corruption combined to stymie the introduction of new cellular and fixed-line operators.

Second, in the field of transportation there have been a variety of dilemmas associated with partial privatizations. Commercialized toll roads are unaffordable for the poor. Air transport privatization led to the collapse of the first regional state-owned airline. South African Airways has been disastrously mismanaged, with huge currency-trading losses and an inexplicable \$20 million payout to a short-lived U.S. manager. The privatization of the Airports Company has led to security lapses and labor conflict. Constant strife with the ANC-aligned trade union has thrown port privatization into question. The increasingly corporatized rail service shut down many feeder routes that, although unprofitable, were crucial to rural economies.

Third, the electricity sector is privatizing rapidly, with 30 percent of the parastatal Eskom (the world's fourth largest electricity producer) to be sold in 2004, resulting in a host of problems. Thirty thousand electricity workers lost their jobs during the 1990s. Potentially unnecessary new generation capacity is being created by private suppliers. While a tiny pittance is invested in renewable energy, the state is likely to expand nuclear energy, through new

pebble bed reactors in partnership with U.S. and British firms. Rates for residential customers have risen much higher as cross-subsidies came under attack during the late 1990s. As a result of increasingly unaffordable rates, Eskom slowed the extension of the rural electricity grid, while millions of people who fell into arrears on inflated bills have been disconnected—leading to massive (often successful) resistance such as illegal reconnections. With tuberculosis and other respiratory illnesses reaching epidemic levels it is a cause for concern that those who do not reconnect their electricity are forced back to paraffin or coal fires for cooking, with all the hazards that entails.

Fourth, virtually all local governments turned to a 100 percent cost recovery policy during the late 1990s, at the urging of the central government and the World Bank, largely to prepare for a wave of water and waste commercialization. Attempts to recover costs from poor communities inflict hardships on the most vulnerable members of society, especially women and those with HIV positive family members susceptible to water-borne diseases and opportunistic AIDS infections. Although water and sanitation privatization applies to only 5 percent of all municipalities, the South African pilot projects run by the world's biggest water companies (Bewater, Suez, and Saur) have resulted in services that are overpriced and a public that is underserved. Contracts have been renegotiated to raise rates because of insufficient profits; services have not been extended to most poor people; many low-income residents have been disconnected; prepaid water meters have been widely installed; and sanitation has been substandard. Across South Africa, the dogma of 100-percent-cost-recovery led to the continent's worst-ever cholera outbreak, catalyzed by mass disconnections of rural residents in August 2000.

As a result of this consistent failure to deliver, alienation and discontent are obviously increasing. According to a late-2002 survey conducted by the liberal Institute for Democracy in South Africa, the number of black people who believe life was better under the apartheid regime is growing. Tragically, more than 60 percent of all South Africans polled said the country was better run during white minority rule, only one in ten people believed their elected representatives were interested in their needs, and fewer than one in three felt the current government was more trustworthy than the apartheid regime. Black people were only slightly more positive than white and mixed-race groups about the government, with 38 percent deeming it more trustworthy than before. Only 24 percent of black South Africans agreed with the proposition that the current government is less corrupt than the apartheid regime.

For the 10 percent or so wealthiest whites and a scattering of

rich blacks who enjoy segregation and insulation from the vast majority, lifestyles remain at the highest level in the world. This is evident to any visitor to the slightly-integrated suburbs of South African cities. Racial apartheid was always explicitly manifested in residential segregation, and after liberation in 1994, Pretoria adopted World Bank advice that included an avoidance of public housing (virtually no new municipal or even cooperatively-owned units have been constructed), smaller housing subsidies than were necessary, and much greater reliance upon banks and commercial developers instead of state and community-driven development. The privatization of housing is, indeed, one of the most terrible ironies of post-apartheid South Africa, not least because the man taking advice from the World Bank, Joe Slovo, was chair of the SACP. (Slovo died of cancer soon thereafter and his main ANC bureaucrat, who was responsible for designing the policy, now works for a World Bank subsidiary.)

Nine years later, the provincial housing minister responsible for greater Johannesburg admitted to a mainstream newspaper that South Africa's resulting residential class apartheid had become an embarrassment: "If we are to integrate communities both economically and racially, then there is a real need to depart from the present concept of housing delivery that is determined by stands, completed houses and budget spent." His spokesperson added, "The view has always been that when we build low-cost houses, they should be built away from existing areas because it impacts on the price of property." Rationalizing such policies, the head of one of Johannesburg's largest property sales corporations, Lew Geffen Estates, insisted that "Low-cost houses should be developed in outlying areas where the property is cheaper and more quality houses could be built."

Unfortunately it is the likes of Geffen, the commercial bankers and allied construction companies, who still drive housing creation, so it is reasonable to anticipate no change in Johannesburg's landscape—featuring not "quality houses" but what many black residents term "kennels." Several hundred thousand post-apartheid state-subsidized starter houses are often half as large as the 40 square meter "matchboxes" built during apartheid, and located even further away from jobs and community amenities. In addition to ongoing disconnections of water and electricity, the new slums suffer lower-quality state services ranging from rare rubbish collection to dirt roads and inadequate storm-water drainage.

Globalization Made Me Do It!

How did the degeneration of a once proud liberation movement occur so decisively, and so quickly? It is tempting to again point

out that neoliberalism was dictated by the IMF in December 1993 before being codified in GEAR. But three prior decisions were also crucial: to drop "nationalization" formally from ANC rhetoric (April 1992); to repay the \$25 billion of inherited apartheid-era foreign debt (October 1993); and to grant the central bank formal independence in an interim constitution (November 1993).

Various other international economic incidents should be mentioned. A few weeks after liberation in May 1994, when South Africa joined the General Agreement on Tariffs and Trade on disadvantageous terms, the country's deindustrialization was guaranteed. In January 1995, privatization began in earnest. Financial liberalization in the form of exchange control abolition occurred in March 1995, ironically in the immediate wake of the Mexican capital flight that destroyed the peso's value. South Africa's protection was to raise interest rates to a record high (often double-digit after inflation is discounted), where they have remained ever since. Later, from 1998-2001, the ANC government granted permission to South Africa's biggest companies to move their financial headquarters and primary stock market listings to London.

Under these circumstances, GEAR was merely a set of fantasy projections, and the failure of macroeconomic policy is even sometimes conceded in Pretoria. In an April 2002 article entitled "Great Leap into Stagnation Courtesy of World Bank," Bloomberg News Service reported that finance minister Trevor Manuel had loyally advocated "spending cuts, the dismantling of trade barriers and fighting inflation during the past six years, all under the guidance of World Bank economists. He is still waiting for the payoff. Now, Manuel and even some World Bank officials say Africa's largest economy has not gained as expected from the lender's advice." Manuel, who was chair of the Boards of Governors of the IMF and the World Bank and currently chairs the Development Committee of the joint body, admitted to Bloomberg, "We have undertaken a policy of very substantial macroeconomic reform. But the rewards are few." More generally, he conceded, "Developing countries have undertaken many reforms, but the benefits are, in fact, very slim."

Was Manuel pushed into such substantial "reforms," or did he jump? As veteran Africa watcher John Saul has suggested, the tendency is to distract attention with the cry, "Globalization made me do it!" In a somewhat self-critical May 2003 speech, Manuel admitted that "economic integration must be managed because it carries the possibility to severely restrict the degree of policy choice that a country has. It is worth reminding ourselves that the degree to which a country's choices are limited, and that country's need for access to capital, are directly proportional. The key variables are

first, the financing of the fiscal deficit and second, the dependence on external capital for financing economic expansion.”

This assertion of policy impotence in the face of global finance was sound at a superficial level, but Manuel made no attempts to remedy the power imbalance. The “informal” limitations were in part a function of currency fluctuations. As Manuel continued, “The key issue is the extent of capital mobility and a country’s demand for a portion of the free float.” And yet the crucial lever of counterpower is the application of stronger exchange controls. Consistent with his general zigzag approach to international financial management, Manuel loosened controls yet further in early 2003.

‘We will take Sandton!’

Rhetoric in South Africa can be confusing. When Mbeki visited Malaysia on the eve of the Cancun WTO summit in September 2003, he advocated that third world governments join forces with anticapitalist social movements: “They may act in ways you and I may not like—breaking windows in the street and this and that—but the message they communicate relates to us.” In reality, many possibilities for unity and cooperation were not merely ignored, but were actively sabotaged throughout the period, as Pretoria sought to impose political order on a society growing increasingly restless.

The repressive side of ANC rule was unveiled to the world during the August 2002 protests against the UN’s World Summit on Sustainable Development—the preemptive arrest of hundreds of activists from three different movements, the banning of peaceful demonstrations, and the use of stun grenades at a candlelight march of 800 people who had emerged from a conference at Johannesburg’s main university. Independent left groups then insisted they would march more than 20,000 people from impoverished Alexandra township to the site of the summit in bourgeois Sandton. A combination of militancy—represented by the widespread call, “We will take Sandton!”—and international media attention forced Pretoria to back down. But according to Yasmin Sooka of the Human Rights Foundation (formerly a Truth and Reconciliation Commission member), “Many senior police officers from the apartheid force were recalled and put in charge of security operations...It was almost unbelievable to watch the heavily armed police and soldiers lining every inch of the route with guns pointed at the marchers.” (A march by the ANC Alliance in support of the Summit covered the same route two hours later, but with fewer than a tenth as many marchers.)

Pretoria’s repressive streak continued during 2003. Leading activists in the black townships of Johannesburg and Cape Town

were repeatedly harassed and detained by police—mainly illegally (resulting in high-profile acquittals)—for resisting evictions, electricity and water disconnections, and the installation of prepaid meters for services. As for the global campaign to make AIDS medicines available, Pretoria infuriated local treatment activists by withdrawing the main drug for pregnant women, Nevirapine (on grounds of irregular testing several years earlier in Uganda), just days before Mbeki's Malaysia remarks. When reparations for apartheid-era profits were being demanded by South African activist groups in the U.S. courts in mid-2003, Mbeki and Justice Minister Penuell Maduna formally requested that the cases be thrown out, and later revealed that this was done due to the prodding of Colin Powell.

Such incidents have alienated a huge proportion of the progressive movements and the low-income population. The independent left's main grassroots campaigns are the struggles for antiretroviral medicines to combat AIDS, free lifeline water (50 liters per person per day) and electricity (1 kilowatt hour per person per day), land reform, an end to housing evictions, a Basic Income Grant, debt repudiation and reparations for apartheid-era profits by foreign and domestic capital, and security from domestic violence. Protests are regularly mounted against high-profile neoliberal events such as the World Economic Forum. Occasionally the pressure rises to such high levels that Pretoria concedes, as with a long-delayed plan to roll out antiretroviral medicines in November 2003 that followed court battles, periodic protests against pharmaceutical corporations, and a civil disobedience campaign targeting Mbeki and his health and trade ministers. The Sowetans who illegally reconnected electricity beginning in 2000 were rewarded in April 2003 by having their accumulated debts written off, as the minister responsible for privatization unsuccessfully attempted to undercut township militancy. More recently, the government has embarked upon a systematic campaign to weaken grassroots militancy through judicial harassment and even extra-legal police repression.

Reflecting the lack of cooperation between the independent left and the ANC Alliance, the former organized intensely in 2003 against the Bush administration. Its 300-member Anti-War Coalition repeatedly drew many thousands of supporters to major demonstrations in Johannesburg, Cape Town, Durban and Pretoria—far more than attended ANC-COSATU-SACP-church-organized protests. While strident anti-imperialist rhetoric characterized ANC antiwar posturing, the Anti-War Coalition pointed out these hypocrisies: the arms agency Denel sold \$250 million of high-tech munitions to Bush and Blair; warships docked at Durban on their way to the Persian Gulf; and in July 2003, Bush was received warmly

by Mbeki for discussions over future military and economic cooperation. Bush responded in kind, calling Mbeki his "point man" on the Zimbabwe crisis. Bush's Africa hand, Walter Kansteiner, termed the New Partnership for Africa's Development "philosophically spot-on." At the same time the Zimbabwean progressive community and their international allies (including the U.S.-based Africa Action solidarity movement) remain appalled by Mbeki's repeated apologetics on behalf of Robert Mugabe's oppressive rule.

South Africa's independent left will continue growing under these conditions. Organizations that repeatedly challenge the ANC and capital include social movement and community activist coalitions such as the national Social Movements Indaba, the Johannesburg Anti-Privatization Forum, the eThekweni (Durban) Social Forum, and the Western Cape Anti-Evictions Campaign, as well as a variety of sectorally-specific groups: the Education Rights Project, the Environmental Justice Networking Forum, Jubilee SA, Keep-Left, Khulumani (apartheid victims support group), the Landless Peoples Movement, the Palestine Solidarity Committee, the Soweto Electricity Crisis Committee, the Treatment Action Campaign, Youth for Work, and sometimes the inconsistent SA NonGovernmental Organizations Coalition. Information about their struggles is regularly found in mainstream news outlets, but the local independent left use media such as the Indymedia Web sites, the journal *Debate: Voices from the South African Left* and its e-mail discussion list, and *Khanya Journal*. Other left infrastructure includes think tanks and training institutes such as the Alternative Information and Development Centre, groundWork, the International Labour Research and Information Group, Khanya College, and the University of Natal Centre for Civil Society, most of which have useful Web sites. There are, as well, some militant sections of COSATU, especially municipal workers.

However, divisive conflicts have emerged within South African's independent left movements, especially over how to relate to the SACP and COSATU. Opinions vary greatly on how far to attack the ANC itself, and carry into debates over whether (and when) to form a left political party, and whether to call for a boycott or a spoiled ballot in the 2004 national elections. In addition, there remain traditional South African problems with sectarianism among small political parties and factions. Another major dividing line emerged over how to articulate South African reactions to the Zimbabwe land issue and to the imperialist-aligned section of the Zimbabwe opposition. Nevertheless, my own sense is that many of these splits and conflicts will be resolved in the coming decade, when a realignment of the broad left under a broad-based workers' party

umbrella is likely.

Two remarks sum up the situation in South Africa. First, "The government is utterly seduced by big business, and cannot see beyond its immediate interests." Second, "domestic and foreign left sectarian factions...accuse our movement of having abandoned the working people, saying that we have adopted and are implementing neoliberal policies. These factions claim to be pursuing a socialist agenda. They assert that, on the contrary, we are acting as agents of the domestic and international capitalist class and such multilateral organizations as the World Bank and the IMF, against the interests of the working people." These quotes, respectively from the (neoliberal) editor of the newspaper *Business Day* in June 2003, and from Mbeki's address to an ANC policy conference in September 2002, reveal an elite awareness that the 10th anniversary of South African freedom will not be a cause for celebration by those who had hoped for a genuine break with apartheid. Perhaps the 20th will allow us a more encouraging report.

Suggested Further Reading

For further analysis and information, I highly recommend several Web sites: <http://www.nu.ac.za/ccs>, <http://southafrica.indymedia.org>, and <http://www.aidc.org.za>. Numerous books, written mainly by independent intellectuals and activists over the last few years, reveal the depth and breadth of the radical critique: S. Kimani, ed., *The Right to Dissent* (Johannesburg: Freedom of Expression Institute, 2003); F. Barchiesi & T. Bramble, eds., *Rethinking the Labour Movement in the 'New South Africa'* (Aldershot: Ashgate, 2003); N. Alexander, *An Ordinary Country* (Pietermaritzburg: University of Natal Press, 2002); S. Jacobs & R. Calland, eds., *Thabo Mbeki's World* (London: Zed Books & Pietermaritzburg: University of Natal Press, 2002); G. Hart, *Disabling Globalization* (Pietermaritzburg: University of Natal Press & Berkeley: University of California Press, 2002); A. Desai, *We are the Poors* (New York: Monthly Review Press, 2002); D. McDonald, ed., *Environmental Justice in South Africa* (University of Cape Town Press, 2002); D. McDonald & J. Pape, eds., *Cost Recovery and the Crisis of Service Delivery in South Africa* (London: Zed Books & Pretoria: HSRC Publications, 2002); J. Duncan, *Broadcasting and the National Question* (Johannesburg: Freedom of Expression Institute, 2002); T. Bell, & D. Ntsebeza, *Unfinished Business* (London: Verso & Cape Town: RedWorks, 2001); S. Adams, *Comrade Minister* (New York: Nova Science Publishers, 2001); and H. Marais *South Africa Limits to Change* (London: Zed Books & University of Cape Town Press, 2000). My own most recent effort to document the problem of neoliberalism in South Africa is *Unsustainable South Africa: Environment, Development and Social Protest* (London: Merlin Press & Pietermaritzburg: University of Natal Press, 2002).

NAFTA's Knife

Class Warfare across the U.S.-Mexico Border

BILL FLETCHER, JR.

David Bacon, *The Children of NAFTA: Labor Wars on the U.S./Mexico Border* (Berkeley: University of California Press, 2004), 348 pages, cloth \$27.50.

I once heard a discussion about the first sentences of books and those sentences that were among the most famous and most powerful. The opening of Gabriel Garcia Marquez's *One Hundred Years of Solitude* was among the most popular. David Bacon's first sentence in chapter one of his book must now rank among the most gripping: "NAFTA repeatedly plunged a knife into Jose Castillo's heart."

Bacon's book, as it is subtitled, is about a war. This is a war that is as merciless as any conflict with arms. Yet this does not concern either a conventional or unconventional (guerrilla) war. It concerns the combination of class and national struggles taking place on the U.S.-Mexico border.

The U.S.-Mexico border has always been a complicated region, geopolitically and economically. The current border is the legacy of the land grab by the United States through its victory in the 1846-1848 war of aggression against Mexico. The border was for years very permeable, and subject to the influences of politics in both countries. Mexicans regularly crossed the border in either direction, and even with the passage of time and the development of a Chicano people in the United States, the connections remained.

The importance of the border has evolved, as Bacon demonstrates through his various essays, and by the 1960s the border was rapidly growing more important to both countries. The creation of *maquiladoras*, factories created for export processing, offering very

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low wages, attracted U.S. capital as well as the migration of job-seeking Mexican workers (and often, former farmers) in search of an improved livelihood. The ability of U.S. and other multinational corporations to exploit this situation has become legendary. Not only were new operations established, but U.S.-based companies soon began moving *in toto* to this region.

Yet Bacon's book does not simply focus on these economic changes. Fundamentally, this is a book about human beings and their capacity to struggle under very adverse conditions. Sensing an opportunity for enrichment, the once progressive PRI (the Institutional Revolutionary Party, the ruling party of Mexico for over 70 years) not only encouraged the growth of low-wage employment along the border, but also collaborated with employers to suppress organization efforts within this workforce. Sweetheart agreements were arranged between various employers and PRI-aligned unions. These unions, workers' organizations in name only, siphoned off dues but did nothing to represent the interests of their members. In response, progressive alternative forms of organization began to develop, including independent unions. Perhaps the most well-known independent union movement has been the Authentic Workers Front (the Spanish acronym is FAT), though there are other such federations and individual unions.

The Children of NAFTA takes the reader to the *maquiladoras* and to the workers employed there. It also examines the situation on the U.S. side of the border and the impact that NAFTA, and the neoliberal globalization that spawned it, have had on workers in the factories and the fields. As such, the book is a clarion call for international working-class solidarity. Such solidarity, to borrow from the words of the late president of Mozambique, Samora Machel, is not about charity, but about identifying common interests. Like few other books, Bacon successfully demonstrates how the material basis for such solidarity currently exists, and details the steps that progressive forces on both sides of the border are undertaking to address it.

While *The Children of NAFTA* is an outstanding and compelling book, it left me reflective and, to some extent, perplexed. The gritty, intense struggles for workers' rights on the border, as well as for national self-determination in Mexico, call forth admiration and demand our support. Yet, while Bacon details the actions that have been taken by Mexican and U.S. workers in opposition to the avarice of capital, the matter of strategy is not considered in any depth.

As Bacon would be the first to acknowledge, U.S. capital has moved or established manufacturing facilities in Mexico that, to a

great extent, can be relocated yet again. Additionally, through the existence of NAFTA, thousands of Mexican farmers have had their livelihoods destroyed, and thousands of Mexican workers have often seen their employment, whether in the public or private sector, weakened or eliminated. Beyond supporting workers or farmers in particular fights, what should be the direction for those seeking an alternative to neoliberal globalization? Additionally, what steps, if any, can be taken to constrain or restrain capital mobility in this period?

At the end of *The Children of NAFTA* I found myself concluding two things. First, cross-border solidarity is far more than the rhetoric of internationalism. It also requires more than support rallies. It must involve the creation of organizations and institutions that can serve as a venue for the sort of strategic planning and coordination necessary to address multinational capital. The international trade union secretariats, created in the early years of the 20th century and largely based in Western Europe, are supposed to serve such a function, but too many of them are hopelessly stuck in bureaucracy or continue to carry with them the stench of Cold War trade unionism. Thus, at issue for progressive forces is whether these institutions can be transformed or whether newer formations must be brought into existence. This is further complicated by the need to address more than just the formal working class, but to embrace farmers, the permanently unemployed and other social sectors that are being crushed by neoliberalism.

The second conclusion concerns the importance of political struggle and state power. In the midst of the ongoing crisis of socialism, it became popular for postmodern and poststructuralist movements to disdain the question of state power. In fact, the Zapatistas have often been upheld by poststructuralist allies in the Global North for their alleged abdication of the struggle for state power in Mexico. Whether the Zapatistas have done so is a matter for another discussion, but it does become clear both in reading Bacon's book and also in studying neoliberal globalization, that this phenomenon of capitalist restructuring is not the result of some natural evolution, but rather a combination of political decisions that were made over a period of time in order to address the stagnation of capitalism.

Reaching such a conclusion means that who occupies state power, and how such state power is exercised, remain critical questions for all those who consider themselves progressive or left. This is true whether one is speaking of reform administrations that make it possible for workers to exercise their right to self-organization, or of more radically-directed governments that are

attempting to create an alternative socioeconomic paradigm. It is for this reason that the Bush administration is so deeply concerned with, and wishes to undermine, the efforts in Brazil and Venezuela to break with the so-called Washington Consensus and chart a different course for regional development.

Even without a full exploration of these issues, *The Children of NAFTA* remains an exceptionally well-written, compelling story of struggle and of hope. The book can serve to promote countless discussions regarding neoliberal globalization, class struggle, and the efforts to create a different world for not only the people of the Global South, but those of us in the Global North as well.

This book is to be applauded, as are the *companeros* and *companeras*—on both sides of the border—who, often in the face of overwhelming opposition, tyranny, and tragedy, have not and will not forget the class struggle.

MONTHLY REVIEW

FIFTY YEARS AGO

Early in the present century, the German Kaiser squandered money on military equipment and rattled his saber to the consternation of mankind. In the 1930s, Hitler was building the world's biggest military machine and leading the way to the fearful devastations of 1939-45...Today President Eisenhower has picked up the militarist mantle which he helped to tear from Hitler's shoulders, donned it, and is proceeding to build a planet-wide military organization, with United States air bases strung across Europe, North Africa, Asia, the Pacific, and the Mediterranean, with an atom and hydrogen bomb stockpile, and with a million United States citizens in military uniform stationed at home and in forty-nine countries. Wilhelm II in his wildest imaginings, Hitler in his most inflated moments, did not dream of such world-encircling military pre-eminence. Within a decade after the defeat of Hitler's ambitious program of world domination, based on his alliance with Italy and Japan and his hoped-for conquest of Western Europe and the Soviet Union, the United States, alone, under President Eisenhower's leadership, is moving toward military supremacy over the planet.

—Scott Nearing, "A War Budget,"
Monthly Review, March 1954

Editors: PAUL M. SWEEZY, HARRY MAGDOFF,
JOHN BELLAMY FOSTER, ROBERT W. McCHESNEY,
LEO HUBERMAN (1903-1968)

We were enormously pleased to publish in the November 2002 issue of *MR* Richard Lewontin and Richard Levins's "Stephen Jay Gould: What Does it Mean to Be a Radical?" commemorating the life of their great Harvard colleague who had died earlier that year. Gould, as Lewontin and Levins explained, was, in addition to being one of the foremost evolutionary biologists and paleontologists of his time, "by far, the most widely known and influential expositor of science who has ever written for a lay public." Their article has recently been reprinted as the concluding essay in Oliver Sacks, ed., *The Best American Science Writing*, 2003. This important series, with Jesse Cohen as the series editor, is published each year by HarperCollins, each time under the editorship of a different guest editor—in this instance Sacks, author of *The Man Who Mistook his Wife for a Hat* and many other works. In preparing this year's volume Sacks chose to dedicate the book to Stephen Jay Gould, who he sees as the exemplary figure in modern science writing.

In addition to reprinting their *MR* article, this volume includes a contributors' statement by Lewontin and Levins on their own scientific and political commitments. In the concluding paragraph of this statement they write:

In both the scientific and political sides of our efforts we intersected with Steve Gould in many ways. He shared our view of the complex and historically contingent nature of living systems and their evolution, and he was a political ally. One or the other of us, or both, taught jointly with Steve in courses on evolution and on biology and society. We worked together with him in Science for the People and the Sociobiology Study Group, struggling against naïve biological determinism. All three of us shared a feeling of distance from many of our colleagues and from Harvard as an institution. It seemed appropriate, then, that the editor of the *Monthly Review* should ask us to write a joint memorial to him.

Indeed, from our standpoint it was more than merely appropriate. Like Gould, both Richard Lewontin and Richard Levins—who have made important scientific contributions to genetics, the political economy of agriculture, population biology and ecology—have demonstrated in all of their work a radical commitment to a science that goes to the roots. Moreover, they have coupled this over the years with a dedication to science writing that presents this in easily accessible, nontechnical prose available to the nonspecialist reader. Nothing exemplifies this dual commitment on their part more than their important, even indispensable,

work, *The Dialectical Biologist*.

We would like to add that MR readers (and especially authors) would benefit in many ways from a close reading of the Sacks volume—even if they are previously acquainted with the Lewontin and Levins article through MR. Apart from the sheer delight to be found in the essays in this collection, Oliver Sacks discusses in his introduction what, in his view, constitutes good science writing—and why this is important:

I am not entirely sure what makes “good” science writing (or indeed “good” writing of any sort), but Coleridge put it as succinctly as possible when he advised “proper words, in proper places.” The best science writing, it seems to me, has a swiftness and a naturalness, a transparency and a clarity, not clogged with pretentiousness or literary artifice. The science writer gives himself or herself to the subject completely, does not intrude on it in an annoying or impertinent way, and yet gives a personal warmth and perspective to every word. Science writing cannot be completely “objective”—how can it be, when science itself is so human an activity?—but it is never self-indulgently subjective either. It is, at best, a wonderful fusion, as factual as a news report, as imaginative as a novel.

Much of this reflects what we try to achieve in MR in general. Marx once wrote that “there is no royal road to science”—it is hard climbing all the way. So writing that aims at being “scientific” and at the same time radical (in the sense of going to the roots) is always very challenging for both the author and the reader.

But the result can open windows that allow for a more effective popular intervention in public life. The ongoing need in modern capitalist society for a radical critique of society (including science) makes this endeavor more important than ever.



István Mészáros's book, *Socialism or Barbarism* (Monthly Review Press, 2001) is, in our view, one of the most important analyses of the world crisis engendered by the United States' current attempt to reestablish and extend its hegemony over the world capitalist order. His book is all the more impressive since it was written well before the events of September 11, 2001. It has become evident that many others in the world besides ourselves are convinced of the brilliance of *Socialism or Barbarism*, since only a little more than two years after its first appearance it has already been translated into 11 languages, with two additional translations on their way.

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Paul Marlor Sweezy (1910-2004)

Nirmal Kumar Chandra

Introduction

For the past half-century Paul Marlor Sweezy was an icon of the intellectual left across the continents. He was an outstanding economist who took a leading role in all the major controversies among Marxists over the last seven or eight decades. His personal courage during the McCarthy era in the U.S. is widely acclaimed. Although he did not belong to any party, and *Monthly Review (MR)* is 'an independent socialist magazine', he maintained cordial relations with progressive parties and movements. While he was generally critical of the USSR and of Communist parties owing allegiance to Moscow, he admired all through Castro, Che and the Cuban Revolution despite their alliance with Moscow. He held Mao in high regard especially after the Cultural Revolution, but was never blind to its weaknesses. Despite his reservations about Soviet-type socialism, as late as 1990 Sweezy was optimistic that Gorbachev's *glasnost* and *perestroika* might lead the Soviet Union towards socialist democracy. Another major attraction of the *MR* for the international left was the space given to unorthodox movements from below like the students' Spring 1968 in France, Germany and Italy, the Naxalite movements in India and Nepal, the Chiapas revolt in Mexico, and so on. In short, the magazine became both a forum and a sort of 'conscience' for the left without being an eclectic provider of news.

Sweezy was born with a silver spoon in his mouth. His father was a leading New York banker. Though the family lost a good part of its fortune after the stock market crash of 1929, there was enough left for young Sweezy to chart out his own career without depending on salary income. Not that he was one of those romantic rich who abhorred the discipline of a full-time job. He taught at Harvard, worked for some New Deal agencies, joined the U.S. army during the Second World War and was demobilised with a medal for his services. Soon afterwards the dark shadow of McCarthy enveloped American society, especially persons of liberal and left persuasion. Sweezy was subpoenaed and even thrown into jail for contempt of court as he refused to answer loaded questions about himself or his friends. Eventually, the U.S. Supreme Court acquitted him honourably. Sweezy became a hero in wide circles for his courageous stand when many famous men and women had buckled under pressure.

In his twenties Sweezy was quite prominent among

economists at Harvard and knew at close quarters some of the luminaries like Schumpeter, his mentor and personal friend over the years, Galbraith, Shigeto Tsuru, Samuelson, and so on. Apart from his dissertation, *Monopoly and Competition in the English Coal Industry, 1550-1850*¹, he published a number of articles in leading academic journals; in particular, the piece on the 'kinked' demand curve under oligopoly still finds a place in all textbooks in economics.² Sweezy was one of a group of young American and British economists, often quite radical, that co-founded the *Review of Economic Studies*. This journal is still prestigious though it has become fairly orthodox in its orientation. Despite such a background and his wartime services, Sweezy could not get a university job during the McCarthy era and created MR along with Leo Huberman as co-editor and several collaborators like Paul Baran.

One of the most admirable qualities of Sweezy as a scholar is that on every issue he began from the 'first principles' of Marxism and wove his arguments in a sequence of elegant steps expressed in the simplest possible language and with a minimum of quotations from hallowed authorities. Formally, there is a similarity between Sweezy's method and that of mathematical economists who start with a few axioms and then gradually derive some powerful conclusions about the economy. Most of the time, however, the axioms are not realistic and are so chosen as to arrive at desired conclusions. In the case of Sweezy the first principles came, not from his own head, but from the 'common understanding' of contemporary Marxists. Of course, the method is not fool proof and many of his conclusions were contested. But that is true in every field of science. What needs to be emphasised is that Sweezy was almost obsessed by a desire for clarity so that the 'intelligent layman', and not just specialists, could make up his mind about the issues at stake.

In my view Sweezy's analytical method has a more enduring value than the conclusions on different issues. That is equally true of Marx. After a century and a half *The Communist Manifesto* is no doubt as scintillating as ever, but the spectre of Communism has lost its visibility in the horizon of West Europe. Actually, even in the early 1850s Marx dreamed of a socialist China. In 1871 Marx and Engels acknowledged that they had grossly erred earlier in advising their Irish followers to become an integral part of the British socialist movement. During the last decade of his life, Marx did not rule out the possibility of a Russian revolution even though the proletariat constituted a small minority. Similarly, Sweezy's expectations about Mao's Cultural Revolution or Gorbachev's reforms did not materialise. Yet the Cultural Revolution had a

worldwide resonance among the radical youth as well as scholars. Apart from Magdoff and Sweezy who jointly wrote the two-part essay on *perestroika* and *glasnost*, a galaxy of eminent Western Sovietologists, and 'dissident' socialists in the Soviet Bloc countries nurtured the same hope. What went wrong? The most likely reason is that all these authors had incomplete information, and the gaps came to light *ex post*.

It would require painstaking researches over several years to unravel the many-sided contribution of Sweezy to progressive causes the world over. No less daunting is the task of writing a 'narrowly' intellectual biography focusing on the scholarly debates that he was engaged in; these remain highly pertinent for the present generation of radical scholars and activists. Here I shall take up only a small number of themes.

There is one important theme that I can touch only briefly for lack of time, namely the debate on the transition from feudalism to capitalism. Maurice Dobb's *Studies in the Development of Capitalism* (1946) strongly emphasised the internal contradictions of feudalism and the growth of productive forces in England to explain the emergence of capitalism. In a review article four years later, Sweezy forcefully argued that the expansion of domestic and international, including colonial, trade was a major catalyst in the dissolution of feudalism and the birth of the new mode of production. Through the good offices of Lawrence Liefshultz, I had the privilege of meeting Magdoff and Sweezy at their office in 1975. Among other issues, I was curious to know if Sweezy still held on to his earlier position. He was quite surprised that someone should talk rake up the 25-years old controversy, but I explained that it was quite germane to the debate we were having in India on whether our agrarian structure was better characterised as semi-feudal or capitalist. Sweezy, if I remember correctly, said that he had not changed his mind, though he had not given the subject much thought since his last publications.³ Actually, there is continuity between his old stance and his subsequent critique of market-based reforms in the USSR and East Europe.

***Theory of Capitalist Development*⁴**

This book by Sweezy, published in 1946 with an Introduction by Maurice Dobb, is to this day the most comprehensive work of its kind. Joseph Schumpeter, one of the great economists of the last century, wrote in his posthumous *magnum opus*, *History of Economic Analysis*: 'I shall refer my readers to a book by Dr. Sweezy (the work of an accomplished theorist and a monument of unswerving loyalty) which presents Marx's economics in the most favourable light and, in addition, is the best introduction to

Marxist literature I know'. In a footnote he added: 'My recommendation does not imply an agreement with all of Sweezy's interpretations, especially with his attempt to make a Keynesian out of Marx.' (P.392.) Regarding Marx's theory of business cycles, Schumpeter observed: 'P. M. Sweezy's work, though in this matter somewhat impaired by an evident desire to turn Marx into a Keynesian, will again prove extremely useful as a help for further study'. (P.1132.)

For those who began studying Marxism from the middle of the last century, after being trained in mainstream Anglo-Saxon economics, Sweezy's attempted fusion between Marx and Keynes was no doubt a strong point. Apart from ideology, on many fine points the two stalwarts cannot be bracketed together. However, consider the crucial policy recommendation of Keynes: During a period of faltering household consumption, inadequate investment by the capitalists, unused capacities in different sectors, and substantial unemployment, the state should, in the extreme, print money to finance a socially useless project like digging up trenches to fill them up in order to create jobs. Can a Marxist disagree? Of course, not only Marxists, but also liberals, social democrats and Keynes himself would much prefer socially relevant investments, e.g. those under the New Deal of President Roosevelt. Schumpeter, unfortunately, made the remark without amplifying it. Interestingly, capitalist Japan in the 'stagnant' 1990s, and China with her market socialism with Chinese characteristics after she faced export stagnation in the wake of the Asian financial crisis of 1997, made huge infrastructural investments even though the facilities created remained grossly under-utilised, and thus appeared to be socially 'wasteful' in the short run. Like Keynes' contemporary critics, *The Economist*, the neoliberal weekly from London, rebuked both the governments but subsequently admitted that the whole of Asia would have plunged deeper into recession in the absence of massive investments by China and Japan.

The Theory of Capitalist Development became famous not only for its lucid exposition of the basics of Marxist economic theory, but also for its treatment at an advanced level of a number of raging controversies within Marxist circles. Among the more important topics covered were: the theory of the falling tendency of the rate of profit in a capitalist economy; the transformation of 'values' under 'simple reproduction' (roughly, the first stage of capitalism when very little of fixed capital was used) into 'prices of production' under 'expanded reproduction' (during the subsequent phase when machinery became the principal means of production); and the theory of capitalist crises, including the question of 'an inevitable breakdown' of the

capitalist system. The discussion on the last subject is particularly illuminating for readers who do not have access to the rich literature in German language; Schumpeter (who had a thorough knowledge of the matter) singled it out both for its accuracy and comprehensiveness.

Schumpeter was no doubt right about Keynes' influence on Sweezy. It is particularly evident in his treatment of the tendency toward under-consumption in the capitalist system. Earlier Marxists writing on the same vein implicitly assumed a sort of iron law of wages and many presented data purporting to show that real wages did not rise. English historians, for instance, have long been debating about the wage trend in that country during the first half of the nineteenth century; in France the phase of stagnation, according to some writers, covered the whole century. Sweezy's formulation, as with Marx's, explicitly rejects the iron law. Nevertheless, the systemic factors precluded an increase in wages in step with the rising productivity of labour. Hence the realisation or marketing crises are endemic to capitalism. The scope for increasing capitalist consumption is limited; as Michal Kalecki put it, capitalists as a class generally consume as much as they want irrespective of their current income or profit. Nor can the shortfall be made good just by building more and more factories as some theoreticians posited. For, a capitalist builds factories to earn higher profits. How can profits be realised when the goods do not sell? A much larger state expenditure on arms and foreign ventures by the capitalists seem to be the only ways to overcome a deep crisis like that of the 1930s.

Monopoly Capital

Questions of monopoly and concentration of capital figured prominently in Marx's *Capital*, and were incorporated in the dominant theories of imperialism of Hilferding and Lenin. But there was a lacuna, according to Baran and Sweezy.⁶ The latter observed that 'the working principles and "laws of motion" of the underlying capitalist economy' in Lenin or Hilferding were firmly anchored in competitive capitalism. (P. 18.) As a result, Marxists devoted a great deal of attention to Marx's theory of the falling rate of profit, probing into its exact meaning, the forces counteracting such a trend and empirical measurement of profit rates over time.⁷

Instead, Baran and Sweezy proposed that the fundamental law under monopoly capitalism should be the rising rate of 'economic surplus' in national income. The economic surplus, in the briefest possible definition, is the difference between what a society produces and the costs of producing it. The size of the surplus is an index of productivity and

wealth, of how much freedom a society has to accomplish whatever goals it may set for itself. The composition of the surplus shows how it uses that freedom: how much it invests in expanding its productive capacity, how much it consumes in various forms, how much it wastes and in what ways.' (P. 23.) The surplus includes not only the traditional 'surplus value' (profits, interest and rent) but also government expenditure and certain elements of business expenditure, namely 'wastes' that are specific to monopoly capitalism; even if some wastes took place during the competitive phase these were comparatively minor and have since grown enormously. It is important to underline that the 'waste' is only from the perspective of the consuming households or social utility, but such outlays are absolutely essential for the functioning of the economic system in realising the surplus value. Expenditure on all kinds of sales effort by giant corporations is the key component of waste. It also permeates the productive process when such firms invest on new models of old products like automobiles or household appliances, and charge higher prices without delivering a qualitatively new product or augmenting the use value. Indeed, a good part of even the outlays on Research and Development, supposed to bring the benefits of modern science and technology to society at large, is of a similar kind for creating the so-called 'me-too' products. Other components of waste include expenditure on business litigation⁸, on lobbying, public relations, entertainment of clients, etc.

From the estimates by J. D. Phillips (Appendix A) one finds that the economic surplus as a percentage of national income (GNP) increased from about 46 during 1929-31 to 55 during 1961-63. Wasteful business expenses alone accounted for almost one-tenth of consumer expenditure in the first period, and declined marginally to 9.4 percent in the latter period. More interestingly, wastes amounted to 38-42 percent of total property income in the years 1929-30, shot up to 58 percent in 1932 when the volume of profits (owing to the Great Depression) had nose-dived to just one-half of the 1929 level, but the percentage fluctuated narrowly between 53 and 54 in the early 1960s.

It seems that there have been no other rigorous estimate of the economic surplus either in U.S. or elsewhere. But circumstantial evidence suggests that both property incomes and wastes in the above sense have since increased at a phenomenal rate far surpassing that in GNP almost everywhere. Foster⁹ cited a study by Dawson, based on US official statistics on corporate profits, interest and depreciation: together these items, as a first approximation to the true surplus, increased rather mildly as a percentage of the GDP between 1946 and 1998. The World Bank economist,

Milanovich¹⁰ showed with a wealth of circumstantial evidence, that official data (from national accounts or tax authorities or household surveys) grossly understate the income of the rich and the super-rich in OECD countries. From a spate of articles in *The New York Times* and other newspapers over the last couple of years on corporate and tax scandals in the USA, it would seem that: (a) corporate executives manage to get a good part of their personal consumption written off as business expenses; and (b) multinational corporations as well as rich individuals have siphoned off a significant proportion of their wealth to offshore locations in order to avoid U.S. taxes. Such semi-legal assets run into at least a couple of trillion dollars, though any precise estimates are hard to come by; the income from these assets do not appear in the GNP either. If we also add the wastes, not only in marketing, but also in R&D and production in oligopolistic industries, there should have been a dramatic rise in economic surplus particularly in the post-Reagan era. With the loosening of anti-trust laws, proliferation of mergers and acquisition, patenting, trademark and copyright, increasing loopholes in income tax laws, the stock market boom, etc. wastes have probably been the fastest growing component of national income. This is true of all advanced countries since 1980.

One witnesses the same phenomenon since the early 1990s in India when she was forced to abandon whatever was left of national self-reliance and planning, and integrate into the world capitalist economy. Growth in national income was maintained at a high level of 5-7 percent per annum. Yet all careful estimates show that real wages either in industry or in agriculture witnessed only a modest increase, under-employment may have worsened, poverty rates have hardly come down, while per capita consumption of foodgrains has actually fallen. At the same time the incomes of higher-level managers and entrepreneurs in big firms (domestic or foreign) have reached 'global' standards. It is quite likely that the economic surplus as Baran and Sweezy defined it, accounts for a much larger part of India's GNP than in the 1970s. This does not imply at all that India has reached the stage of monopoly capitalism; indeed, pre-capitalist remnants are widely prevalent in the country. But with the opening up of the economy concentration of capital has gone up sharply, reproducing the wastes characteristic of advanced capitalism.

As Sweezy repeatedly underlined, Braverman's *Labour and Monopoly Capital*¹¹ filled one major lacuna of their *Monopoly Capital*, namely the impact on the labour process. Contrary to the mainstream economists' view that the average worker in the U.S. was acquiring ever-new skills, Braverman showed that there was increasing de-skilling of manual workers with the advent of automation in the workshop. In fact, the trend

has accentuated in later years. Imported textiles, garments, toys and light engineering goods from low wage countries have flooded the American market leading to a sharp contraction in manufacturing employment. Poorly remunerated (by U.S. standards) white-collar jobs were created, but computerisation took its toll. Consequently, the median real wage in the USA barely rose during 1973-2000, while aggregate labour productivity witnessed a steady increase; in the previous 200 years nothing like this had happened. More recently, the situation has aggravated owing to 'business process outsourcing' (BPO) with routine jobs in business call centres, etc. going to overseas offices with low wages. Even a significant part of R&D personnel are being relocated in the same countries to widen the profit margin of the multinational corporations. In low wage developing countries (China, India, etc.) suffering from massive underemployment and low wages, both the governments and the trade unions welcome such relocation of manufacturing and service industries. Practically everywhere the trade unions have become weaker, and their international solidarity has been undermined greatly, strengthening Capital as against Labour.

Two further observations may be made. Although *Monopoly Capital* was very much concerned with imperialism, Harry Magdoff's *The Age of Imperialism*¹² went much deeper into the matter and also underlined the affinity between Lenin's formulation and that of Baran and Sweezy. Second, the latter did highlight the organic connection between big conglomerates and the financial sector. Subsequent changes from the 1970s seem to suggest that finance capital has been chalking out a relatively autonomous path of its own leading to what has been described in the literature as the 'financialisation' of the economy. Major manufacturing firms have also set up their financial subsidiaries to promote sales of their own products. In several essays Sweezy and Magdoff, particularly the latter, unfolded some of the new trends. Of special note are their writings on the growing importance of debts in household as well as business spending. Until fairly recently, mainstream economists and financial ignored the underlying risks. However, in the last couple of years alarm bells are ringing from all quarters as the size of household, business and government debts have reached stratospheric levels. Asian and Latin American countries that went nearly bankrupt in the last two decades, and sought 'aid' from the IMF had significantly lower ratios of external debt to GNP. Can the U.S. go the same way?

Post-revolutionary society

Sweezy made a major contribution to the debate on the

political economy of 'socialism' as it prevailed in the USSR. Even before the Bolshevik Revolution, a number of Western intellectuals regarded socialist planning as inherently inefficient and hence doomed to fail. Sweezy was not one of them. Apart from Marx and Engels, in his pantheon honourable places were accorded to both Lenin and Mao as leaders who tried to transform their respective countries in a way that the founding fathers would have approved. On their first visit to Cuba after the 1959 revolution Huberman and Sweezy characterised it as socialist, even before socialism was enshrined in the country's constitution. Both were received warmly by Fidel Castro and Che Guevara. Baran and Sweezy dedicated *Monopoly and Capital* to Che. But Sweezy along with many others had strong reservations about Soviet developments from the late 1920s when Stalin became the undisputed leader. Stalin's death saw an end to some of the most repressive features like the mass execution through show trials of dissidents, actual or just presumed, the *gulag*, and so on. But the 'system' with its undemocratic power structure within or outside the Party, and special privileges for the *nomenklatura* (high officials in the Party or government) remained intact despite periodic attempts at reform. 'Real' or 'existing' socialism hardly matched Marx's vision of socialism as a proletarian democracy marching toward a classless society where the repressive apparatus of the state would disappear and income would be distributed among workers, not according to the bourgeois principle of 'each according to his ability', but to 'each according to his needs'.

MR has often been identified as Maoist in its orientation for its enthusiasm about China's Cultural Revolution. By asserting that class contradictions persisted, the Maoists launched class struggles directed against those in authority with special powers and privileges at various levels of party, government and other institutions. Sweezy was not blind to the excesses of the Red Guards. Yet he considered that the revolution was *an attempt* to bring about *in long run* a classless society, though it might require, as Mao said, more than one such revolutions.

Charles Bettelheim, a leading expert on the USSR, held roughly the same position as MR on China. From this perspective he had been probing at depth into the nature of class struggles in the Soviet Union since its inception. Sweezy took a keen interest in Bettelheim's studies and over the years a debate between them took place in the pages of MR.¹³ Both agreed that the USSR suffered from the shortcomings noted above, and that there was a ruling class. Bettelheim characterised it as 'state bourgeoisie', echoing the Chinese view that capitalism had been restored in the Soviet Union.

Sweezy objected and put forward a new concept of 'post-revolutionary society' - under certain circumstances the USSR, China, etc. could still evolve toward authentic socialism.

On the Soviet ruling class, Sweezy wrote: A 'group of disparate individuals summoned to occupy the command posts of Soviet society were gradually shaped through a long series of intense historical experiences into a self-conscious and essentially self-reproducing ruling class.' (P.125.)¹⁴ Why did Sweezy call them a class, and not a 'power elite' in the sense of C. Wright Mills? 'In theory such a set of individuals might be recruited from all levels and strata of society, according to criteria of fitness for the functions to be preformed. If this were the case, the class composition of the power elite could be heterogeneous, perhaps reflecting the class composition of the population as a whole. It is clear, however, that this description does not fit the Soviet power elite at all. True, it was *originally* recruited by the old Bolshevik leadership of the party from various strata of pre-revolutionary society. But with the passage of time and the disappearance of the old leadership, the process changed. Increasingly, the highly privileged and the powerful individuals came to see themselves as a body apart...' (Pp.124-25.)

Why did Sweezy refuse to consider the USSR as capitalist? Capitalism has 'three determining characteristics: (1) ownership of means of production by private capitalists; (2) separation of the total social capital into competing or potentially competing units; and (3) production of the great bulk of commodities (both goods and services) by workers who, owning no means of production of their own, are obliged to sell their labour power to capitalists in order to acquire the means of subsistence.' The first features two did not exist in the Soviet Union; all productive enterprises came under the plan or were controlled by the state, and hence did not relate to each other as competing capitals. (P.119.)

The third feature, namely commoditisation of production and of labour power, did prevail in the USSR. On the other hand, the Soviet constitution guaranteed full employment, and 'guaranteed employment *negates the basic principles of the capitalist incentive system*'. (P.127.) [Emphasis added.] Sweezy was careful enough to note that large capitalist firms in Japan also offered life-time employment, but they employed only a small part of the national workforce. There was no job security for the rest. Next, although the management of Soviet firms and conglomerates often behaved to maximise personal incentives for themselves or the total workforce, they could not allocate resources. Investment decisions, except at the margin, were made centrally on

totally different considerations. It is also true that the *nomenklatura* enjoyed privileged access to a range of goods and services at the same uniform prices applicable to all. Hence the distribution of real income was more unequal than money income. It would thus seem that notwithstanding apparent similarities, the capitalistic features in the Soviet society were severely circumscribed by systemic constraints. Sweezy had no hesitation in concluding: 'The point to be emphasised is *not* that all manifestations of capitalist behaviour have been eliminated from Soviet-type societies - far from it - but that these have ceased to *dominate* the functioning of the economy and hence, indirectly to shape the objectives and tasks of political power. In capitalist society the state is the servant of the economy; in Soviet-type societies it is the master.' (P.121.)

Sweezy amplified: '[T]he utilisation of society's surplus product... is no longer by the laws of value and capital accumulation [as under capitalism] but instead becomes the focus of a political process and of course of political struggles, including (but not exclusively) class struggles. In this respect, post-revolutionary societies are unlike capitalism but similar to pre-capitalist societies which also lack an autonomous economic foundation. The politicisation of the surplus-utilisation process has permitted Soviet-type societies' to offer a wide range of welfare facilities. The 'new ruling leadership has to accept them as integral parts of the society over which it presides. Any attempt to cut them back or undermine them would call in question the legitimacy not only of the leadership but of the system itself....No wonder the example of post-revolutionary societies has a great appeal for the masses in the Third World. Unless some miracle or catastrophe intervenes, it seems reasonably certain that there will be more revolutions and post-revolutionary societies in the not too distant future.' (Pp.125-26.)

Is there any concrete example of post-revolutionary society striving to abolish classes? Apart from China during the Cultural Revolution that seemed to be moving in that direction, Magdoff and Sweezy surprised many readers with their two-part essay in March-April 1990 about Gorbachev. At first they reiterated their misgivings on economic reform proposals calling for 'comprehensive marketisation' of the economy, closely integrated with the capitalist world, and expressed apprehension that as an economically weaker nation the Soviets would come under the domination of international capital. It is not that they were votaries of the *status quo ante*, which had resulted in stagnation over the previous two decades. They welcomed reforms with 'a sense of balance' that would 'avoid falling into a sterile dogma of either condemnation [of] or uncritical enthusiasm' for the

market. They went on: 'It should go without saying that the Soviet Union is very far from meeting the standards set by Marx and Engels ... Yet in *glasnost*' and related reforms, it seems thus far to be at least facing in that direction.' How does one change the situation in the USSR? '[C]hange can only mean massive infusion of new people with energy and ideas into the existing institutional framework... [it can come about] only through streamlining and speeding up the process of democratisation already under way... Socialists all over the world have not only an interest but a personal and political stake in what happens in the Soviet Union in this coming and decisive phase of the process that began with Gorbachev's accession to office in 1985. We can only hope that the outcome will be positive and that it will set the stage for a following phase of economic growth.' (Pp.146-52.)

This optimism about the USSR, one must add, somewhat contradicts what Sweezy stated ten years earlier in February 1980. After the first phase of industrialisation, '[w]hat was needed, as socialists have long contended, was a radically different attitude toward work and workers, involving the workers in decision-making at all levels of the economy and society, and encouraging them to take upon themselves the task of humanising the work process as the collective responsibility of free men and women... there can be no doubt that there was never the slightest chance that the new ruling class which emerged later on would opt for such a course which, if successful, would lead to full-scale democratisation of and the loss of its monopoly of power and privileges.' (Pp.127-28.) I shall revert to it later.

A possible third example would be Castro's Cuba..MR has published a great deal on the country, almost invariably in a positive vein. In my view, there are very good reasons for it. For more than 40 years revolutionary Cuba has faced unremitting hostility from the USA of a far greater magnitude than the USSR encountered except in the early years of foreign intervention and civil war. With the USA openly supporting the Cuban emigres in Florida and calling for Castro's ouster by any means, the risks of a counter-revolution are far higher if all the freedoms were granted to the Cuban citizens. After the withdrawal of Soviet aid and preferential trade from 1990, Cuba faced an acute economic crisis with the national income plunging by about two-fifths. The fall in living standards affected all citizens, including Party and government cadres. Indeed, there has always been far greater equality of income in Cuba than in the USSR of the 1980s, and high officials enjoy very few privileges. People came to realise that the country had to change some of the basic features of its Soviet-type economic system. What is unique, however, is that the reform programmes for state enterprises

and co-operatives were widely deliberated at various levels. The enterprises had to submit reform proposals only after the scheme was approved after several meetings attended by all workers at the respective factories and farms. Of course, the stick was there: everyone knew that the state had to cut back drastically on production subsidies for industry and agriculture that had grown enormously during 1990-93 and were unsustainable. Finally, the Western media could report only stray cases of corruption in the upper echelons of society and all such individuals met with severe punishment. The strict vigilance by the state and the party has so far prevented the emergence of a ruling class in Sweezy's sense. Nevertheless, Cuba is still comparatively poor, very small in size and dependent on external trade in a generally hostile world. The future of the socialist experiment remains uncertain. Hence Cuba is best regarded as a post-revolutionary society.

I do find Sweezy's concept of post-revolutionary society attractive for the reasons that the author himself mentioned. The baggage of socialist ideology imposed on the Soviet ruling groups far greater constraints on the domestic front than Western capitalists had to encounter from their subaltern classes. In fact, the economic stagnation during the last couple of decades of the USSR also weakened working class resistance in the West to the rise of Reagan and Thatcher; many of the gains of post-war welfare capitalism have been whittled away and at an accelerated pace after the disintegration of the USSR. Simultaneously, several developing countries like Brazil, Mexico, India, South Korea, etc. that had made enormous progress in building their own industries till the 1970s or 1980s under the old GATT regime of international trade, came under tremendous American pressure. Against strong initial opposition from the former, the USA succeeded in replacing the old system by creating the WTO. It is quite unlikely that this drastic change could take place if the USSR continued as the Second Superpower. It is worth underlining that the USSR was never allowed by the USA to have 'normal' trade relations with the NATO countries. Evidently, there was systemic antagonism between the two Superpowers. That is why the economic reform of post-Soviet Russia masterminded by the U.S. Treasury Department ensured the destruction of Russian industry.¹⁵

This raises one problem with Sweezy's concept of post-revolutionary society. He allowed for two long-term options - either a market-based reform leading up to capitalism or a rejuvenation of socialism in the spirit of Marx and Engels. But the disintegration of the USSR while Gorbachev was still officially at the helm, and the subsequent degeneration of post-Soviet Russia into a 'failed state' worse than many Third

World countries were not envisaged by Sweezy and Magdoff; nor did anyone else on this planet. One has to draw appropriate lessons.

There is another problem with Sweezy's characterisation of the Soviet ruling group as a 'ruling class'. As we saw earlier, Sweezy and Magdoff were hopeful about the prospects of socialist democracy under Gorbachev's leadership. If the Soviet Union did proceed far along that path, would it not dissolve the old ruling class? Can a ruling class just vanish into thin air without resistance? It has generally been thought in Marxist as well as other circles that a ruling class tends to reproduce itself in 'normal' times and disappears either after an internal upheaval when a new class comes to dominate the state apparatus or after a foreign conquest. None of these happened when Yeltsin replaced Gorbachev. Hence the thesis on the existence of a Soviet ruling class needs further probing.

Endnotes

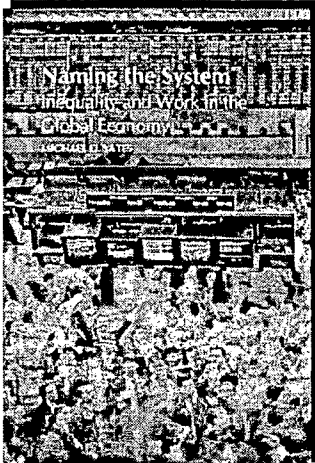
1. Harvard University Press, 1938.
 2. P.M. Sweezy, 'Demand Under Conditions of Oligopoly', *Journal of Political Economy*, 1939, August, and reprinted in American Economic Association, *Readings in Price Theory*, G.J. Stigler and K.E. Boulding (eds.), Richard D. Irwin Inc., Homewood, Ill., 1952.
 3. Barely one year after our meeting appeared *The Transition From Feudalism to Capitalism*, with an Introduction by Rodney Hilton, New Left Books, 1976. See in particular, P.M. Sweezy, 'A Critique', *Science and Society*, 1950, Spring, M. Dobb, 'A Reply', *ibid.*, M. Dobb, 'Further Comments', *Science and Society*, 1953, Spring, and P.M. Sweezy, 'A Rejoinder', *ibid.* There are other interesting pieces in the same collection.
 4. *The Theory of Capitalist Development: Principles of Marxian Political Economy*, Dennis Dobson, London, 1952. Curiously, Schumpeter (Op. cit., p.884, fn.10) opined that: 'Maurice Dobb was never impregnated with Marxism; allowance must be made for the English environment. But his sympathies, intellectual and other, are obviously with Marx rather than with Marshall or with the Fabians.'
 5. Edited by E.B. Schumpeter, George Allen and Unwin, London, 1954.
 6. P. A. Baran and P. M. Sweezy (1966), *Monopoly Capital: An Essay on the American Economic and Social Order*, Penguin Books, Harmondsworth, Middlesex. Sweezy came back to the subject. See his 'On the Theory of Monopoly Capitalism', in his Marshall Lecture at Cambridge University in 1972, reproduced in his *Modern Capitalism and Other Essays*, Monthly Review, New York, 1972; 'Monopoly Capitalism', in *The New Palgrave: A Dictionary of Economics*, edited by J. Eatwell et al., Macmillan, London, 1987.
 7. R. Hilferding, *Finance Capital*, Routledge Kegan & Paul, London, 1981, (originally published in German, 1910) described
- (continued on inside back cover)

(continued from page 80)

in chapter 11 how under competitive conditions as new firms enter an industry during the boom phase, the price tends to fall sharply in periods of depression. This is particularly painful for capitalists in capital-intensive sectors where the profit rate dips the most. The only way to achieve price stability with decent profits is to organise cartels and trusts, and German banks took the lead in organising them. In Japan after the Second World War the Ministry of International Trade and Industry presided over 'recession' cartels much as Hilferding had envisaged. Sweezy's (1939) essay does not contradict Hilferding. But American anti-trust laws made trusts and cartels illegal since the end of the nineteenth century. Hence Sweezy's theory offered a new explanation of price stability in contemporary America; the existing (in academic milieus) theories of perfect competition and monopolistic competition pointed to high volatility in prices when supply and demand conditions are unstable. Baran and Sweezy, one must note, sought to unfold the laws of motion of *American* monopoly capitalism, but these need not apply *in toto* to other countries.

8. See for instance, the survey of law firms in *The Economist*, 28 February 2004.
9. J. B. Foster, 'Monopoly Capital at the Turn of the Millenium', *Monthly Review*, 2000, April.
10. B. Milanovich, 'True World Income Distribution, 1988 and 1993: First Calculations Based on Household Surveys Alone', *The Economic Journal*, 2002, January.
11. Monthly Review Press, 1974.
12. H. Magdoff, *The Age of Imperialism: The Economics of U.S. Foreign Policy*, Monthly Review Press, 1969.
13. P.M. Sweezy and C. Bettelheim, *On the Transition to Socialism*, Monthly Review Press, 1971. C. Bettelheim, *Cultural Revolution and Industrial Organisation in China: Changes in Management and the Division of Labour*, Monthly Review Press, 1974. C. Bettelheim, *Class Struggles in the USSR: First Period, 1917-1923*, Monthly Review Press, 1976. C. Bettelheim, *Class Struggles in the USSR: Second Period, 1923-1930*, Monthly Review Press, 1978.
14. Henceforth all page references in the text will be from P. M. Sweezy, *Post-Revolutionary Society*, Cornerstone Publications, Kharagpur, India, 2000.
15. 'In January 2003 a probing BBC television interviewer elicited from the US economist Jeffery Sachs a statement that the US-led aid programme for the former Soviet Union in the early 1990s had been driven not by a wish to reconstruct but to destroy. According to Sachs (who, as the leading American architect of reform, was in excellent position to know), the core purpose was to finish off the state socialist system and conclude the Cold War agenda.' *Failed and Collapsed States in the International System*, a report prepared by the African Studies Centre, Leiden, the Transnational Institute, Amsterdam, the Centre for Social Studies, Coimbra University, and the Peace Research Centre - FUHEM, Madrid, 2003, December, p.7. <www.tni.org/reports/failedstates.pdf>

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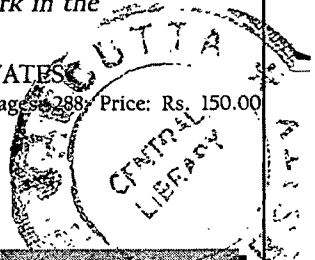
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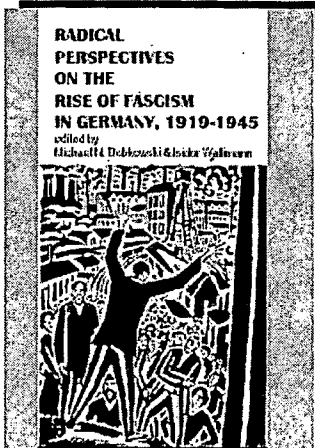
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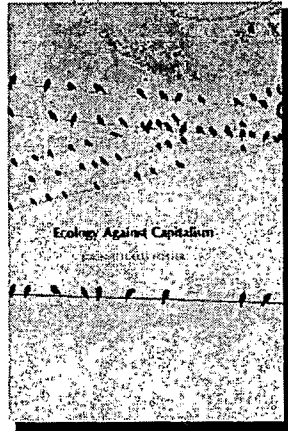
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Analytical MONTHLY REVIEW

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JOBS CRUNCH The Stagnation of Employment *Review of the Month* by THE EDITORS OF MONTHLY REVIEW

Disposable Workers

RED MAGDOFF & HARRY MAGDOFF

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Workers Looking for Jobs, Unions Looking for Members

MICHAEL D. YATES

New Economy R.I.P

ASHA LILLY on Doug Henwood's *After The New Economy*

Greater Inequality, Greater Instability

EDWARD S. HERMAN on Robert Pollin's *Contours of Descent*

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Why no Peace in Nepal?

Since the end of the truce in the civil war in Nepal in August 2003, thousands of Nepalis have been killed. According to human rights watchdog groups most of the deaths have been caused by government security forces, including the U.S. advised Royal Nepalese Army. There are repeated reports of security officers arriving at night to arrest young activists, who "disappear". The phrase "bepatta parieka" is now heard in Nepal, just as the word "desaparecido" is whispered in Colombia.

There is disturbing evidence of a U.S. "plan Colombia" or Guatemala for Nepal. In Latin America the U.S. has developed means of terrorizing highland peasant areas with paramilitary "contras" and death squads. On December 16, 2003, Christine Rocca, the U.S. Assistant Secretary of State for South Asian Affairs, heard a report at army headquarters in Kathmandu from the chief of military operations of the Royal Nepalese Army. Prominent in the report (which in a security breach later appeared on the internet) were details of a plan to create paramilitary squads in the countryside, under the name of "Civic Peace & Development Mobilization Committees". The plan proposed the use of "retired security forces personnel" with "logistic support" from the army.

Opposition to this U.S. "counter-insurgency" plan flared from responsible elements in the international community. On the very day General Pyar Jung Thapa made his presentation to memsahib Rocca, the European Union Heads of Mission in Nepal were reported as warning, with diplomatic understatement, that in other countries such plans "have often been responsible for grave violation of human rights".

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Paul M. Sweezy

April 10, 1910–February 27, 2004

Paul M. Sweezy, cofounder and coeditor of *Monthly Review* and Monthly Review Press, and one of the most influential economists and Marxist intellectuals of the 20th century, died of congestive heart failure at his home in Larchmont, New York on February 27. He was 93 years old.

Sweezy's contributions to economics and to social thought more generally extended over nearly six decades from the mid-1930s to

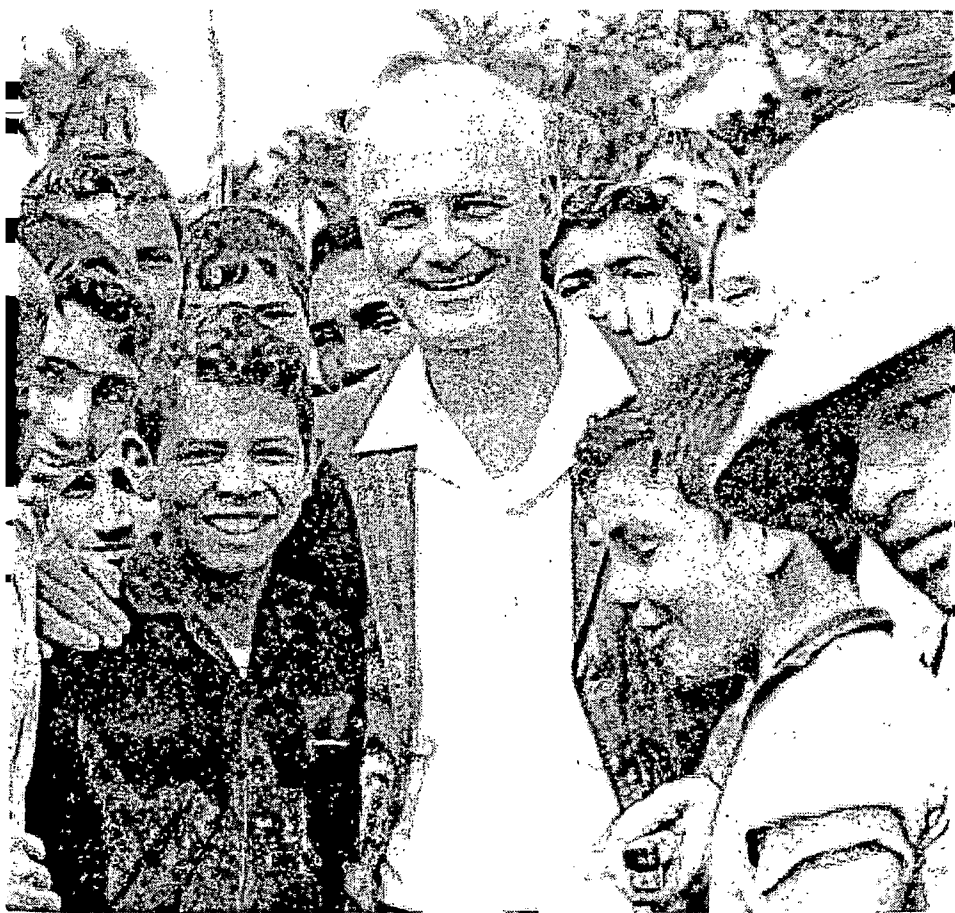


Photo: Paul M. Sweezy and friends, Cuba, 1960.

the early 1990s. In *The Theory of Capitalist Development* (1942), he provided the premier exposition of Marxian economics, after Marx. In *Monopoly Capital* (1966) Sweezy, along with Paul Baran, theorized how the rise of the giant firm had modified the laws of motion of capitalism. He played an important part, along with Baran, his later MR coeditor Harry Magdoff, and others associated with the MR tradition, in analyzing the relations of imperialism and dependency imposed on the poor countries of the periphery of world capitalism by the rich countries of the center. He also criticized Soviet-type economies for transforming themselves into a new-type of class society. Untold numbers of individuals around the world, particularly in the third world, were inspired by his thought, making him among the most widely acclaimed social thinkers of our time—though largely ignored by the vested interests in his own country.

Paul Marlor Sweezy was born on April 10, 1910 in New York, the youngest of three sons of Everett P. Sweezy and Caroline Wilson Sweezy. His father was a vice president of the First National Bank of New York. He was educated at Exeter and Harvard and in 1932 did graduate studies for a year at the London School of Economics. There he encountered Marxist ideas. Returning to Harvard where he soon took up a teaching post, he became friends with the great conservative economist Joseph Schumpeter. He was influenced by the Keynesian revolution in economics in response to the Great Depression and worked for various New Deal agencies. In 1942 Sweezy joined the army where he was assigned to the Office of Strategic Services. After the war, it became clear that his Marxist views would prevent him from receiving a tenured position at Harvard and he quit his teaching position. In 1949 he started *Monthly Review*, together with socialist journalist Leo Huberman. In the 1950s the MR editors were persecuted by McCarthyism. *Sweezy vs. New Hampshire*, in which Sweezy defended his right to teach freely without having to turn over his lecture notes or to name names, went to the U.S. Supreme Court, which ruled in his favor in 1957.

MR readers knew Sweezy not just for his ideas, but also for his graceful writing style, and his way of reaching out to numerous younger socialist scholars.

He is survived by his second wife, Nancy, and his third wife, Zirel, along with his three children, Samuel, Lybess, and Martha, his two stepchildren, Jeffrey and Jennifer Dowd, and seven grandchildren and two great-grandchildren. A memorial service will be held on Saturday, April 17, 3–6PM, at Landmark on the Park, 160 Central Park West at 76th Street, in New York City.

The Stagnation of Employment

THE EDITORS OF MONTHLY REVIEW

Except in times of war, capitalist economies almost never reach full employment. The mere absence of jobs for those desiring paid employment, however, is not necessarily a problem for the ruling economic interests. Unemployment and the underutilization of labor more generally—the existence of what Marx called the industrial reserve army of labor—is a necessary part of a capitalist economy, since it keeps wages low as workers are forced to compete with each other for jobs. This becomes a serious problem for the system or for the political structure when the shortfall in employment coincides with a deeper structural crisis; when aggregate demand and thus investment opportunities are hindered by low employment and low wages; and when a shortage of jobs creates a political problem, sometimes even igniting popular opposition at the grassroots of society. All three of these contradictions are apparent in 2004, setting the stage for a national debate on the question of jobs, which more than three years since the beginning of the 2001 recession is now suddenly a front page story.

In seeking the Bush administration's stance on the current job crisis, the logical place to look would be the newly released *Economic Report of the President*. Authored by the president's Council of Economic Advisers and published in February each year, the *Economic Report of the President* is the major annual assessment of economic trends by the administration in office. It is also in many ways an ideological report—and interesting for that reason—in that it represents an administration's most concerted attempt in any given year to account for the most pressing economic challenges that it faces while explaining away many of these problems insofar as they might reflect negatively on its performance. This year's report, released in an election year, is however extraordinary in the degree to which it attempts not simply to explain away problems, but to sweep them under the rug.

The most important issue covertly dispatched in this way is the stagnation of employment. It is customary for the *Economic Report*

This Review of the Month was written with the help of Fred Magdoff.

of the President to include a chapter on the labor market at least once every other year. In the administration of George H. W. Bush, chapters on the labor market appeared twice and an average of 16 pages were devoted to employment issues in the four reports authored by his administration. In the eight years of the Clinton administration chapters on the labor market appeared in the report four times and an average of 26 pages were devoted to this topic in these reports. In contrast, in the three reports issued thus far in the administration of George W. Bush, zero chapters have been devoted to employment or the labor market and the average number of pages of text per issue devoted to discussing these issues has dropped to seven.

The neglect of employment is not because it has somehow become a non-issue. Rather the failure to address the question of employment reflects the fact that it is the economic Achilles heel of the present administration. Since the Bush administration took office the U.S. economy has lost 2.3 million jobs.* Although the economy officially entered the recovery phase of the business cycle, ending the 2001 recession, in November 2001, full recovery of employment has not yet occurred. Indeed, this is the first time in 11 successive recessions, going back to 1939, in which there has not been a full recovery of employment within 31 months of the beginning of the recession. In January 2004, 34 months after the beginning of the recession, aggregate employment was still 1.8 percent below its pre-recession level. With the working-age population increasing by 2.4 percent since 2001, jobs are becoming ever harder to find. Between November 2003 and February 2004, 40 percent of those unemployed had been out of work in excess of 15 weeks, the worst record of unemployment duration since 1983. None other than Federal Reserve Board Chairman Alan Greenspan—not known for his sympathy with working people—gave a speech in late February 2004 noting: “Fears about job security are understandably significant when nearly 2 million of our work force have been unemployed for more than a year.”†

To be sure, the official unemployment rate has fallen to 5.6 percent in the most recent quarter—a figure that may seem to

* The U.S. government has two surveys on employment; one is an employer or payroll survey, the other a household survey. The two surveys do not produce precisely the same results. Most economists and government statisticians consider the employer-payroll survey to be more reliable. Data on employment referred to in this article are all based on that survey.

† Lee Price and Yulia Fungard, “Understanding the Severity of the Current Labor Slump,” Economic Policy Institute Briefing Paper, February 19, 2004; Paul Krugman, “Jobs, Jobs, Jobs,” *New York Times*, February 10, 2004; Alan Greenspan, quoted in *Newsweek*, “Help Not Wanted,” March 1, 2004.

suggest that the job situation is getting better, after averaging 5.8 percent in 2002 and 6 percent in 2003. But since the drop in the unemployment rate coincides with a decline in the number of jobs at the very same time that the working-age population is increasing the only possible explanation is that a growing percentage of the population is ceasing to look for work and is no longer counted as belonging to the labor force. Thus the labor force participation rate has declined steadily for three years in a row.

All of this hearkens back to what was commonly called the "jobless recovery" from the 1990–1991 recession. Normally, when the economy recovers from a recession, the number of jobs available expands too. But as the economy recovered from the 1990–1991 recession, job growth was almost nil for more than a year. Nevertheless, the present jobless recovery that began in November 2001 is worse still, since the number of jobs has actually shrunk during the recovery. More than two years into the economic recovery the U.S. economy has fewer jobs than when the recovery began—despite a steady expansion of the working-age population.

The Bush administration has tried to defuse the problem in the latest *Economic Report of the President* by arguing that even though "the performance of employment in this cycle has lagged even that of the so-called 'jobless recovery' from the 1990–1991 recession," the U.S. economy is currently experiencing high productivity gains, and job creation will necessarily follow. The only difference in the present recovery, we are told, is that there is a longer than usual lag between the start of the recovery and gains in employment. "By definition, labor productivity multiplied by hours worked," the report declares, "equals output. Thus, in an arithmetic sense, faster productivity growth generally implies that output must expand more rapidly to generate employment gains. The same principle explains why the rapid pace of productivity growth over the past couple of years has meant that gains in output occurred without gains in employment, until recently" (p. 48). We should not blame such productivity gains for the weakness in employment growth, the administration tells us, even though they mean that the economy has to grow faster in order to create jobs, because productivity growth makes it possible for the economy to grow faster.

But the administration's case that employment will recover as always with a lag, is undercut by the extraordinary length of the present lag. According to the Economic Policy Institute's February 2004 report, "Understanding the Severity of the Current Labor Slump," in all prior recessions since the 1930s "the lag between the end of a recession and the trough in jobs had never exceeded three months"; yet in the present labor slump it was not until 21 months

after the end of the recession (29 months since the onset of the recession) that the trough in employment was finally reached. Job losses have continued to be exceptionally strong and job gains exceptionally weak since then. In January 2004, mass layoffs, defined as layoffs of 50 or more workers in a single establishment, affected a total of 239,454 workers. This was the highest level of mass layoffs since December 2002 (Bureau of Labor Statistics, "Mass Layoffs in January 2004," February 25, 2004).

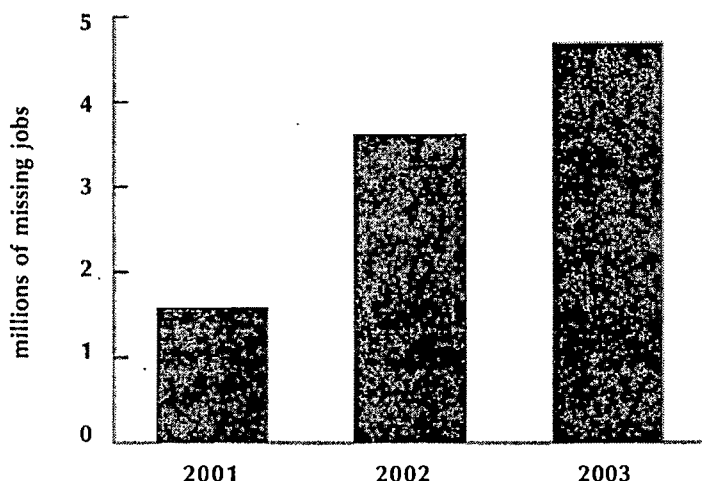
Looking for good news with respect to employment, the administration concludes its one page discussion of "The Labor Market" in its economic report by pointing to the growth in average employment in the temporary-help services industry as a sign of an impending take-off in employment—under the theory that this correlates with growth in jobs generally. With no sense of irony, the administration's economic report states that, "Employment in temporary health-services has expanded 194,000 since last April, suggesting robust growth in overall employment this year" (p. 94). Elsewhere in the report it is noted that the severe decline in manufacturing employment "may somewhat overstate the number of actual manufacturing jobs that have been lost" since some of these jobs still exist but have in effect been taken over by temporary workers or have been outsourced to workers with lower pay and lower benefits (p. 71).

But what has attracted the most attention in the 2004 *Economic Report of the President*, is a stealth forecast on employment inserted without comment into a table. Entitled "Administration Forecast," this table (p. 98) shows various projections with respect to GDP, inflation, interest rates, and the unemployment rate, and also includes the administration's forecasted changes in non-farm employment—amounting to an increase in the average number of jobs by 2.6 million over the course of 2004. Since this was an average based on monthly data, and the level of net new jobs was already much lower in the opening months of the year than what was required to produce this end result, it was clear that well over 3 million jobs would in fact have to be created in order to get the average up by 2.6 million jobs for all of 2004. There are no signs at present, however, that job gains on anything like this scale will occur. Faced with blistering attacks from the very moment that the report appeared, the administration backed off from its employment projections for 2004 within a week. White House spokesman Scott McClellan simply stated that "The president is not a statistician." According to *The New York Times* (February 19, 2004), Treasury Secretary John Snow and Commerce Secretary Donald Evans were ordered "to distance the administration from the projection." But,

by abandoning the forecast that it had released only the week before, the administration was in effect admitting that when Election Day comes in November 2004, the U.S. economy will have fewer jobs than when President Bush took office four years before—something that has not happened since the Great Depression when Herbert Hoover was president.

Chart 1 shows the number of “missing jobs” in the U.S. economy if employment constituted the same percentage of the civilian non-institutional working-age population as in 2000, when employment divided by the working-age population was 64.4 percent. The rapid rise in missing jobs over the three years shows the true depth of the current employment slump.

Chart 1: Missing Jobs (Cumulative number of additional jobs needed to maintain employment at the same percent of the civilian non-institutional population as in 2000.)



Source: Calculated from data in the *Economic Report to the President*, 2004, table B-35: “Civilian Population and Labor Force, 1929–2003.”

Restructuring the Labor Market

How do we explain this stagnation of employment? What is obvious at this point is that this is not simply the result of normal business cycle fluctuations, but the product of deeper, structural changes in the capitalist economy. One indication of this is the shift from temporary to permanent layoffs as the predominant form

in which job losses are experienced. Prior to the 1990s it was common for companies to layoff workers attached to a given business, industry or sector with the intention of rehiring them as economic activity picked up again. Beginning in the 1990-1991 recession, however, the emphasis shifted to permanent layoffs that severed relations between employers and employees and between workers and whole industries. During the first three quarters of the four recessions prior to the downturn of the early 1990s, permanent layoffs accounted for about half of all layoffs on average, around 70 percent in the early 1990s recession, and close to 90 percent in the 2001 recession ("What Recovery?," *Monthly Review*, April 2003). Permanent layoffs frequently require that workers switch industries and skills in order to find employment, creating longer spells of unemployment.

This shift from temporary to permanent layoffs means that industries are undergoing structural changes that entail massive shifts in their shares of employment. In the recessions and recoveries of the mid-1970s and early 1980s around half of industry was undergoing structural changes of this kind. In contrast, in the 1990-1991 downturn and jobless recovery such structural change predominated in 57 percent of all industries, and in the most recent recession and jobless recovery structural change has been evident in almost 80 percent of all industries.*

The brunt of the job loss has been in the manufacturing sector. Manufacturing employment dropped 16 percent between June 2000 and December 2003, making this the biggest cyclical decline in more than 40 years. Manufacturing employment continued to decline throughout 2003 despite the recovery in production and profits. The metalworking machinery industry has reduced its total employment by almost a quarter since 2000. Although productivity in manufacturing is rising rapidly, this is largely a byproduct of the layoffs themselves with each worker now producing more within a leaner and meaner production system—and not the result of the kind of technological dynamism that normally accompanies new investment. Thus as the 2004 *Economic Report of the President* acknowledges, "The prolonged period of weakness in manufacturing output also bears a notable similarity to the sluggish recovery in investment in equipment and software" (pp. 55-56). The decline in U.S. manufacturing is partly due to global shifts in manufacturing, reflecting the long-term decline of U.S. economic hegemony. Over a quarter of the value of manufactured goods consumed in the United

* Erica L. Groshen and Simon Potter, "Has Structural Change Contributed to a Jobless Recovery?," Federal Reserve Bank of New York, *Current Issues in Economic and Finance*, vol. 9, no. 8 (August 2003), p. 4.

States is now produced abroad, up around 5 percentage points since early 1999 and more than double the level of the early 1980s.*

If unusually high levels of structural change in the labor market are taking place, it remains to be explained what lies behind this. The most obvious answer is that firms are using the recession as an excuse for labor restructuring to decrease their unit labor costs and reduce their overall wage bills—with no intention of then altering this once the economy begins climbing again. A smaller workforce is being compelled to work more intensively by means of both speed-up and stretch-out, while millions of unemployed would-be workers accept worse jobs or are unable to find jobs. *Business Week* (November 17, 2003) describes corporate heads as “cautious, especially when it comes to hiring. So far, companies have been able to meet orders for their products by working employees harder.” The result has been widening profit margins, even as employment has stagnated and wages have declined. “Businesses are rolling in cash,” Mark Zandi of *Economy.com* recently stated. “But they’ve yet to step up and expand their hiring” (quoted in *Newsweek*, “Help Not Wanted,” March 1, 2004).

Not only have corporations cut back on employment but they are also making increased use of temp workers and outsourcing. In January 1972 the personnel supply industry had a little over 200,000 jobs; this grew to a high of about 4 million in September 2000, and, as already noted, is one of the few areas of employment showing dynamic growth during the recovery.

The outsourcing of production and of business processes in general by firms is notoriously difficult to measure. Nevertheless there is no doubt that it has become more and more pervasive as restructuring, with the object of sharply lowering unit labor costs and overall payrolls, has become omnipresent throughout the economy. This is happening not only in goods production, but also increasingly in services, including such white-collar professions as accounting, banking services, and computer programming. Perhaps because the full extent of this phenomenon is so difficult to ascertain, attention has recently focused on the most extreme instance of this in the form of the offshore outsourcing (sometimes simply called “offshoring”) of high-tech jobs from the United States to India and other locales in Asia, Latin America, and Eastern Europe. The reasons for such offshoring are obvious. As Marc Andreessen, a cofounder of Netscape Communications and now the

* Federal Reserve Board Governor Ben S. Bernanke, “The Jobless Recovery,” Global Economic and Investment Outlook Conference, Carnegie Mellon University, Pittsburgh Pennsylvania (November 6, 2003), <http://www.federalreserve.gov/boarddocs/speeches>.

main force behind Opsware Inc.—a company that automates data centers enabling corporations to manage global, including offshore, operations—has stated: the advantage of offshore outsourcing of tech jobs in places like India is that “you can get three or four programmers for the price of one....As a software company, you can cut half your programmers, cut your prices, and your profit margins go up, all at the same time. That’s a big deal.” What drives this phenomenon, according to Andreessen, is quite simply “entrepreneurial capitalism” (*Business Week Online*, “Outsourcing Isn’t a Zero-Sum Game,” March 1, 2004). Unemployment among computer programmers in the United States is currently at 7 percent; at the same time the number of offshore programming jobs emanating from U.S. corporations is estimated to have tripled in the last three years (*Business Week*, “Software: Will Outsourcing Hurt America’s Supremacy?,” March 1, 2004).

Not all offshore service employment, however, is directed at highly skilled computer programmers. The greater proportion is still made up of low-value-added transaction processing and call centers. Altogether it is estimated that 300,000–600,000 U.S. jobs are currently moving offshore each year (*Business Week*, “Offshore This,” March 1, 2004; *Newsweek*, “Help Not Wanted,” March 1, 2004). These numbers, associated with the offshore outsourcing phenomenon as a whole (both production and services) are, if correct, big enough to account for a significant slice of the job losses in the U.S. economy during the current crisis. India’s National Association of Software and Services Companies estimates that outsourcing to India saved U.S. corporations such as General Electric, Honeywell, and Citigroup \$10–11 billion in 2001 alone. While this may be an exaggeration there is no doubt about the general tendency at work (*Far Eastern Economic Review*, November 13, 2003).

Stephen Roach, chief economist and director of global economics at Morgan Stanley, has referred to the structural changes occurring at a global level, which are now affecting the U.S. economy, as the “new global labor arbitrage.”* According to this analysis, new forces that are fueling offshore outsourcing are “now acting as a powerful structural depressant on traditional sources of job creation in high-wage economies. America’s recovery without job creation could well be here to stay.” When looking at new manufacturing outsourcing platforms, Roach argues, China is the leading player. “Fully 65% of the tripling of Chinese exports over the past decade—from \$121 billion in 1994 to \$365 billion in mid 2003—is traceable to

* Stephen Roach, “How Global Labour Arbitrage Will Shape the World Economy,” *Global Agenda Magazine*, 2004, www.globalagendamagazine.com.

outsourcing by Chinese subsidiaries of multinational corporations and joint ventures." Today's offshore production platforms combine low cost with high tech. When Intel builds a factory in China it is state of the art, employing the same automated equipment used in its factories in the United States.

More surprising than the growth of offshore production platforms, however, is the rapid growth of information technology-enabled offshore outsourcing of services. It is here that India has been the leading player, with its highly educated but impoverished population. India's information technology-enabled exports of services are expected to increase as much as ten times in the next four years. What is feeding this process, according to Roach, is the fact that "wage rates in China and India range from 10% to 25% of those for comparable-quality workers in the United States and the rest of the developed world."

The deregulation, restructuring, outsourcing, and offshoring of many of the white-collar jobs that constitute two-thirds of U.S. payrolls means that the U.S. economy is now experiencing a structural shift of national and global dimensions that may entail a long-term decrease in jobs (marking a long-term increase in the industrial reserve army of labor). The share of total U.S. employment represented by manufacturing has been in decline for half a century (though never before so stagnant in an economic recovery). As Roach observed in a June 12, 1998, special economic report for Morgan Stanley on "Global Restructuring," "services are the 'shock absorber' that facilitates the necessary downsizing in manufacturing. Only the service sector can provide the answer to the great conundrum of restructuring: Where do all the displaced workers go?"* But since employment in the service sector itself is now being undercut by information technology-based restructuring, including offshoring, that sector's capacity to continue to generate new jobs that will absorb labor cast off elsewhere in the economy, may be undermined as well. At the same time, poorly paid offshore workers in poor countries are being exploited for the higher rates of surplus value that they can generate for capital. Multinational capital is thus able to take advantage of global asymmetries to create more vicious forms of competition between pools of labor that are geographically immobile and thus unable to coalesce.

Economic Stagnation

Conservative and liberal explanations for the jobless recovery are usually confined to the factors considered above: (1) displacements

* Stephen Roach, "Global Restructuring: Lessons, Myths and Challenges," Morgan Stanley, International Investment Research, June 12, 1998.

(usually presumed to be temporary) of labor arising from productivity growth, and (2) economic restructuring, including offshore outsourcing to China and elsewhere, raising the question of "protecting American jobs." A deeper explanation, however, would not stop there but would recognize that the employment slump is a manifestation of deep-seated tendencies in capitalism itself. Low levels of employment in relation to the available working-age population are endemic to the system, as is the drive to replace better-paid jobs with poorer-paid ones. In *Wage-Labor and Capital*, a speech delivered to a working-class audience in 1847, Karl Marx observed that, "This war [between capitalists] has the peculiarity that the battles in it are won less by recruiting than by discharging the army of workers. The generals (the capitalists) vie with one another as to who can discharge the greatest number of industrial soldiers." For many unemployed workers, Marx argued, this took the form of permanent, not just temporary, unemployment—while for some of the *more fortunate* among the new additions to the industrial reserve army it led eventually to worse jobs at lower wages:

The economists tell us, to be sure, that those labourers who have been rendered superfluous by machinery find new avenues of employment. They dare not assert directly that the same labourers that have been discharged find situations in new branches of labour. Facts cry out too loudly against this lie. Strictly speaking, they only maintain that new means of employment will be found *for other sections of the working class*; for example, for that portion of the young generation of labourers who were about to enter upon that branch of industry which had just been abolished. Of course this is a great satisfaction to the disabled labourers....But even if we assume that all who are directly forced out of employment by machinery, as well as all of the rising generation who were waiting for a chance of employment in the same branch of industry, do actually find some new employment—are we to believe that this new employment will pay as high wages as did the one they have lost? If it did, *it would be in contradiction to all the laws of political economy.*

The real conundrum for capital created by high unemployment and underutilization of labor does not lie directly in the shortage of jobs or the fact that many workers have been thrown permanently out of work. The problem lies elsewhere: in the fact that the system, no matter how dynamic on the supply side (in terms of productivity, its capacity to expand output, and the generation of economic surplus) cannot expand for long without an expansion of aggregate demand. And despite the old misnomer of Say's Law—or the notion that supply creates its own demand—investment seldom grows for

long without - at least expectations of a rapid growth of consumption. The latter, however, remains dependent on a rise in income among the population at large.

This points to continuing problems for the economy. Not only has employment been stagnant and even decreased in the recovery, but the real aggregate wage and salary income of those workers who are employed has been falling. In December 2003, 33 months after the start of the recession, real aggregate wage and salary income was 0.7 percent below its pre-recession level. In contrast, in all six of the recessions (going back to 1960) immediately prior to this one, real aggregate wage and salary income had recovered by the 33rd month of the recession (Economic Policy Institute, "Understanding the Severity of the Current Labor Slump"). A consumer-led recovery therefore is not in the offing. What is propping up the level of consumption at present is not employment or wage growth, but the expansion of consumer debt, primarily through borrowing against home equity, which has been expedited by record low interest rates.

Under these conditions a rapid and sustained increase in investment is unlikely. In 2003, real gross private domestic investment had not yet recovered the level reached in 2000. With manufacturing capacity utilization for 2003, according to the latest preliminary estimates, at 73.4 percent, its lowest level since 1982, corporations have little incentive to invest in new plants and equipment.

All of this raises the larger question of the nature and logic of accumulation under globalized monopoly capitalism. The stagnation of employment traced back to its roots leads to the problem of the deepening stagnation of capitalist economies generally. It follows that the continuing weakness of employment is not an anomaly or simply the result of structural shifts between industries, but is rather a product of more fundamental problems of accumulation affecting capitalism as a whole. This can be seen in the long-run decline in the rate of growth of world output per capita since the 1960s as shown in chart 2. Here we see a clear step-by-step reduction in the rate of growth of world output from 1961-2003. The rich economies at the center of the system, from which such stagnation tendencies emanate, enjoyed considerable success in exporting their economic failures to the poorer economies of the periphery, which have then had to carry a disproportionate share of the costs of the faltering accumulation of the system, on top of their already serious problems of underdevelopment and dependency. The result has been generalized global stagnation with very few exceptions.

These facts would seem to challenge received economic wisdom. It is an article of faith among orthodox economists that rapid economic growth is a normal and natural trait of capitalist economies. In contrast, we have been arguing the opposite in this space for many years now.* Far from being an inherent characteristic of the system, rapid economic growth is best understood as occurring under specific historical conditions. In the early stages of industrialization capitalist economies have often been known to grow at a fast pace, since an entire industrial infrastructure is being built up from scratch. But once economies mature, in the sense that the core industries have sufficient industrial capacity to meet all current and prospective demand of the population for goods produced in those industries, investment tends to be more limited, constrained by the weight of productive capacity generated by past accumulation. The concentration and centralization of capital and the emergence of monopoly capital (the capitalism of giant firms) eventually ushers in a system in which price competition is effectively banned in mature industries, while competition to reduce production costs nonetheless continues. This tends to increase the economic surplus generated, which increasingly falls under the control of the giant firms. The result is a growing problem of surplus absorption. Corporations are constantly in search of profitable investment outlets for their investment-seeking surplus—in the face of vanishing investment opportunities.

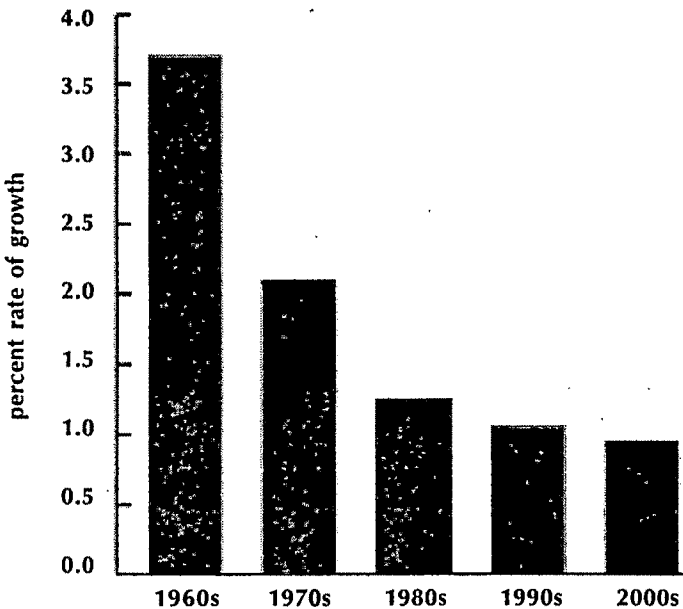
In such a mature, monopolistic economy, stagnation, characterized by relatively slow growth and rising unemployment and excess capacity, becomes the state toward which the economy gravitates—short of special developmental factors that enter in to lift the economy out of its doldrums. The question to be explained, then, is not so much stagnation itself (as most economists still believe), but rather the advent of more or less rapid growth during certain brief periods, such as the 1960s or the latter half of the 1990s.

In order to explain why relatively high rates of growth have occurred at such times it is more useful to look at the historical environment surrounding the economy than at the internal logic of capital accumulation. Although tending toward stagnation, the U.S.

* This argument, as it was developed in these pages from the mid-1960s to the late 1980s, can be seen in five essay collections by MR editors Harry Magdoff and Paul Sweezy: *The Dynamics of U.S. Capitalism* (1972), *The End of Prosperity* (1977), *The Deepening Crisis of U.S. Capitalism* (1981), *Stagnation and the Financial Explosion* (1987), and *The Irreversible Crisis* (1988). A more recent summary of the general theoretical perspective underlying this analysis is to be found in John Bellamy Foster, "Monopoly Capital and the New Globalization," *Monthly Review*, January 2002.

economy has been boosted by various artificial means, much like the respirators used by mountain climbers to scale the highest peaks. The largest such source of stimulus in recent decades has been a vast outpouring of private and public debt associated with an era of financial speculation. Another has been the boost provided by massive amounts of military spending, without which investment and employment would be greatly reduced. A third stimulus has been an enormous development of the “sales effort” in the form of modern marketing, (which encompasses not just advertising, but also product development, targeting and sales promotion) now running at well over a trillion dollars a year.*

Chart 2: World GDP Per Capita Growth Rate



Source: The World Commission on the Social Dimension of Globalization, *A Fair Globalization: Creating Opportunities for All*, International Labor Organization (UN), <http://www.ilo.org/public/english/wcsdg/>

Such stimuli, however, have their own inherent limits. The

* The best analysis of the role of marketing in the monopoly capitalism of today is to be found in Michael Dawson, *The Consumer Trap: Big Business Marketing in American Life* (Urbana: University of Illinois Press, 2003).

bursting of the financial bubble in 2000, associated with the stock market meltdown, set the stage for the recession that was to follow. Military spending declined as a percentage of GDP, though remaining massive, following the end of the Cold War—and has only now begun to climb back toward its Cold War heights as a result of the so-called War on Terrorism. Marketing, while continuing to increase, seems to run up periodically against the limits of commercialism—the fact that it is more and more difficult to find new aspects of existence to commodify. Moreover, no amount of hard selling can produce consumption where consumer purchasing power is lacking.

Outsized technological innovations and the emergence of whole new industries can help inject new life into the economy—as in the case of the second wave of automobilization of the U.S. economy in the 1960s or the growth of information technology in the 1990s. But even such important innovations may prove insufficient to keep the economy going at a high level for long.

Stagnation is in effect so built into the structure of accumulation that there is no easy way out for the modern capitalist economy. Attempts to overcome the stagnation problem by intensifying exploitation globally have only succeeded in the long-run in aggravating the underlying illness. At the same time the legitimacy of the system is being undermined in the eyes of the larger population. Eventually, this is likely to have political as well as economic repercussions. The fact that there is some awareness of this in the investment community can be seen in a special June 12, 1998, economic report on “Global Restructuring” authored by Stephen Roach for Morgan Stanley, which states:

There are signs that American labor has borne a disproportionate burden of the successes of corporate restructuring. More than 15 years of relatively stagnant wages, combined with a sharp widening in the inequalities of the income distribution, underscores the dark side of the American restructuring experience. I plead guilty of oversimplifying this most basic tension of the Anglo-Saxon restructuring model by depicting it as a classic power play between capital and labor. With worker rewards (compensation) lagging worker contributions (productivity) since the early 1980s, I have argued that it was only a matter of time before a politically-inspired backlash would occur that would shift the pendulum of economic power from capital (shareholders) back to workers. While it hasn't happened yet, there is no reason to believe that such a reflex action won't occur at some point in the not-so-distant future.

One thing is certain, the vested interests (which includes both political party establishments) have no interest in raising issues

that might awaken the U.S. working class from the deep sleep into which it has fallen and thus invite the class struggle from below that Roach both envisages and fears. Hence every effort will be made by the powers that be to ensure that the real nature of the employment problem under capitalism continues to be swept under the rug. The job debate that is building up in the context of the jobless recovery and current election fight is thus likely to be kept within very narrow limits by representatives of both parties. The Democrats will blame it on the Bush administration. The Bush administration will project huge employment increases in the future arising from its tax cuts—coming into play after an enormous lag. The responsibility of the left in these circumstances is clear: to reject all such opportunistic responses and to connect these problems to their root causes in capitalism itself and to the evolution of its structural crisis.

MONTHLY REVIEW

FIFTY YEARS AGO

There is the picture as United States military leaders see it. Asia is to be encircled from Turkey and Arabia to Formosa, the Philippines, Okinawa, Japan, and the Aleutians, and is to live under the threat of United States air bases, including new ones in Pakistan, with United States trained and equipped armies in Turkey, Pakistan, Indo-China, Formosa, Korea, and the Philippines—"Asians to fight Asians"—with United States naval units patrolling Asian waters from Suez through the Straits to the China Sea, and with the Indian Ocean and Far Pacific held firmly in the steel grip of a United States militarism whose first task consists in safeguarding American Big Business interests in essential resources such as oil, tin, and rubber, and in profitable markets for goods and investments.

To date, this program for the economic penetration and exploitation, military domination, and political manipulation of Asia is only partly realized. Much of it is still on paper.

—Scott Nearing, "World Events,"
Monthly Review, April 1954

Disposable Workers

Today's Reserve Army of Labor

FRED MAGDOFF & HARRY MAGDOFF

But if a surplus labouring population is a necessary product of accumulation or of the development of wealth on a capitalist basis, this surplus-population becomes, conversely, the lever of capitalistic accumulation, nay, a condition of existence of the capitalist mode of production. It forms a disposable industrial reserve army, that belongs to capital quite as absolutely as if the latter had bred it at its own cost.

—Karl Marx, *Capital*, vol. 1

These are difficult times for workers. In the wealthy countries of capitalism's center, labor is struggling to maintain existing wages and benefits against a combined assault by corporations and governments, while conditions of workers in the periphery are even more difficult. The widespread acceptance and adoption of capital's agenda—"free trade," "free markets," greater "flexibility" regarding labor, and reduced social welfare assistance—has led to one group of real winners. Transnational corporations (and their owners and top managers) now have more freedom to produce where labor and other costs are cheap, have their patents protected, and move capital in and out of countries at will. Many workers, unfortunately, are finding that their situation has become more tenuous.

Many changes in the U.S. economy—including those leading to increased pressure on labor—can be traced to the period of the late 1970s and early 1980s (see "The New Face of Capitalism: Slow Growth, Excess Capital, and a Mountain of Debt," April 2002 *Monthly Review*). These changes embody capital's response to the stagnation that developed in the economies of the center following

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Harry Magdoff is a coeditor of *Monthly Review* and author of *Imperialism Without Colonies* (Monthly Review Press, 2003).

a period of rapid growth after the Second World War. In the absence of new technologies or other stimuli able to invigorate the economy, capital had an urgent need to find new ways to squeeze out more profits. The current U.S.-led drive to tear down international barriers to capital—commonly referred to as “globalization”—is nothing more than the aggressive search for new profitable investment opportunities abroad. The numerous limitations to foreign investment in the periphery provided one of the reasons for capital’s global offensive. A significant number of countries in the periphery, freed from colonialism after the Second World War (such as India), had created barriers and restrictions on foreign capital as part of their effort to develop independently.

Capital’s push to enhance the profitability of investments in the countries of the center has resulted in decreased job security and social benefits. While we will focus below on the United States, the situation in Europe is similar. For example, the trend toward privatization and the calculated policy to lessen union strength have beaten down the once powerful British labor movement. And in Germany, corporations and government—attempting to increase capital’s profitability—are changing the privileged position that labor has held since the Second World War. Chancellor Gerhard Schroeder boasted that “we have restructured the labor market to enhance its flexibility...With our radical reforms of the country’s social security systems, most notably health care, we have paved the way for the reduction of nonwage labor costs” (*Wall Street Journal*, December 30, 2003). In other words, German capital is weakening labor rights, making it easier to discharge workers, and at the same time reducing social benefits.

Government policies in the periphery, combined with the investment drive of international capital, have created very difficult conditions for labor in those countries. In China, laborers from the interior live in inadequate and overcrowded dormitories, work long hours for little pay, have no real unions, and have few, if any, rights. Workers trying to organize unions in Latin America are in constant danger (for example, organizers of workers at Coca-Cola bottling plants have been killed). In South Africa, the embrace of neoliberalism by the African National Congress-led government has left one of its partners and original backers, the trade union movement, demoralized. Privatization schemes and a variety of laws that harm workers have been put into place. While conditions have improved for some workers, such as computer programmers in India, the general situation of labor around the world is grim and appears to be getting more so.

In response to increasingly harsh conditions throughout

capitalism's periphery (including violence against farmers and the landless poor), people are on the move from the countryside to the overcrowded urban centers of the third world, which do not have sufficient jobs to absorb the newcomers. The result is a huge increase in the number of people living a hand-to-mouth existence in slums. These new recruits for the reserve armies of their countries are also available to international capital.

The overall goal of capital's new course is enhanced profitability through greater flexibility on all fronts—to hire and fire workers, obtain low-cost labor, decrease worker and citizen benefits, invest and market abroad, repatriate profits, and gain access to needed raw materials. These efforts to improve the profitability of investments at home and abroad, have resulted in greater numbers of workers living under insecure conditions. However, the presence of a large pool of workers living a precarious existence is nothing new. It is one of the basic characteristics of capitalism, referred to by Marx as the reserve army of labor. More than an underlying attribute of capitalism, the reserve army helps to keep costs down—permitting the market system to function profitably—and serves as a constant and effective weapon against workers.

The Reserve Army of Labor

One of the central features of capitalism is the oversupply of labor, a large mass of people that enter and leave the labor force according to the needs of capital. During an upswing in the business cycle, additional labor is necessary to utilize a business's full capacity. As sales slacken during a recession, workers no longer needed are then dismissed. The reserve army of labor—with brief and very unusual exceptions—is *always* present. Under the exceptional conditions of the Second World War, there was full employment in the United States because it was necessary to expand the labor supply for the war effort. This was accomplished partially by bringing large numbers of women into the labor force. Full employment was reached at a time when 11 million people were in the armed forces and thus not part of the labor force.

When considering the surplus of workers in the reserve army of labor, it is important constantly to keep in mind two points. First, there is not an absolute surplus population, but rather a surplus in the context of a society ruled by the profit motive and the golden rule of accumulation for the sake of accumulation. Second, there would be no surplus of labor if everyone had enough to eat, a decent place to live, health care, and education, and workers had shorter work hours and longer vacations so they could have more leisure and creative time.

Business owners or CEOs protect and maintain the structural and mechanical parts of their operations, even when not fully utilized (or not used at all) because of insufficient demand. Capitalists take care of their buildings—factories, offices, and stores—and the various pieces of machinery and equipment are usually serviced and maintained regardless of business conditions. Workers, on the other hand, are disposable. Capital wants to obtain labor and use it when needed, and layoff workers when they aren't needed. Treating labor as a disposable and/or easily replaceable part of the production process promotes capitalism's central driving force—the never-ending drive to accumulate wealth. It is of critical importance to the functioning of capitalism as a system because it enables individual capitalists to change course quickly in response to changing economic conditions.

What economic sense could it make for a capitalist to pay a workforce to do little or no work during a recession? What business sense would it make for a farmer to pay a person year-round when all that's needed is extra labor during a short harvest period? The argument could be made that there are certain individuals that have key skills and employers would be well served by paying these persons through a slack period to insure that they would be available when demand for the product or service begins to grow again. To some extent this happens, but the reserve army also includes technical workers—computer scientists, engineers, and technicians—so it is possible to find ready replacements for many seemingly irreplaceable workers.

Members of the reserve army—a mass of people living in insecurity or fearful of future job prospects—can be thought of as belonging to one of the following broad categories:

- a. the unemployed (including those officially recognized as unemployed because they have recently looked for work as well as those that have stopped looking because they can't find jobs);
- b. part-time workers that want to work full-time;
- c. people making money independently (self-employed) doing various odd jobs or getting occasional work while desiring a full-time job;
- d. workers in jobs that are likely to be lost soon (due to economic downturn, increased mechanization, or their jobs moving to countries where workers earn lower wages). Although not unemployed, these workers usually know that they are in a precarious situation and behave accordingly. Agricultural labor displaced by increased productivity in the

countries of capitalism's center no longer provides large numbers of reserve army members. However, people displaced from agriculture in the periphery are a huge potential source of reserve labor for their own countries and, as immigrants, for the center;

- e. those not counted among the economically active population but available for employment under changed circumstances (such as prisoners and the disabled).

Through much of U.S. history, employers had the right to terminate employment at will. As far as capital is concerned, this is the most desirable situation because it provides the highest level of flexibility to control labor and labor costs. The wording of an 1884 Tennessee Supreme Court decision is an indication of the extent of capital's rights during this period:

Men must be left, without interference to buy and sell where they please, and to discharge or retain employees at-will for good cause or for no cause, or even for bad cause without thereby being guilty of an unlawful act per se. (*Payne v. Western & Atlantic Railroad*, Tennessee 1884)

The doctrine of firing workers at will applied to most workers, except where union contracts stipulated otherwise. However, legislation at the state level and legal findings in state courts gradually modified this right of capital for many states. This made it more expensive to fire workers with implied contractual rights to continued employment—when not done for reasons of financial need—often resulting in lengthy legal battles and/or severance pay. Capital has responded with techniques to overcome this handicap such as increased use of temporary, part-time, and contract labor, the privatization of government functions, and outsourcing portions of industrial and service operations to other locations at home and abroad. All of these contingent or nonstandard work arrangements have the advantage for capital that they further weaken its already weak obligations to workers.

The Supply of Workers for the Reserve Army

The reserve army has not remained the same over the years. The details of its composition and sources of supply have varied through history, according to local conditions and the economic relations between the countries of capitalism's center and periphery. The supply of people for the reserve army is generally provided through the normal workings of capitalist development—job growth is rarely great enough to keep pace with both population growth and the employment needed for those workers displaced by increased labor productivity. Sometimes land is taken for development—for dams,

roads, and factories—forcing displaced farmers to seek employment in cities. Productivity growth, the mantra of many academic economists, is supposedly good for both capital and labor. It is maintained that as productivity increases, higher wages for workers are possible while at the same time higher profits can go to owners of capital. However, the reality of increasing labor productivity under capitalism usually has been quite different.

Using new technologies to increase production with less labor, early capitalist management of agriculture in Western Europe became more profitable than relying on rents paid by tenant farmers. Tenants and laborers were forced off the land, expanding the number of those who had no alternative but to sell their labor power and participate in the huge migration to cities during the initial growth of capitalism. During early stages of its development, the United States had no such internally available reserve of labor. Before the mid 19th century most of the new immigrants from Europe became farmers and craftspeople. With little industrial development, there was no need for a sizable reserve army. Where large numbers of workers were needed—on cotton and tobacco farms in the South—slaves provided the labor. Workers were subject to the master's whip rather than the fear of unemployment.

As industry grew in the North, a continuous stream of labor was attracted and actively recruited from abroad. Each new wave of immigrants entering the reserve army of labor—the Irish in the 1850s, the Chinese in the western states in the 1870s, the Italians and Eastern Europeans of the early 1900s, and the “undocumented” Latin Americans of the last half century—served simultaneously to put the fear of unemployment in existing workers and to distort consciousness and solidarity with the poison of racism. The African Americans migrating to the North during and after the two world wars and the farmers leaving the land after the Great Depression and Second World War provided additional workers for the reserve army in the United States.

In the period immediately after the Second World War, increasing productivity coincided with increasing wages in the United States. Gains in hourly wages in manufacturing during the rapid economic growth from the 1950s to the early 1970s generally paralleled gains in productivity. However, during the era of slow growth in the 1980s and much of the 1990s, real hourly compensation stagnated while productivity increased greatly. Some of the financial gains of increased productivity go to labor only if workers fight for better pay and benefits and are successful in their struggle. With the weakened position of labor throughout much of the center of the capitalist world economy, and with workers having

pitifully little power in most countries of the periphery, little of the increased income created by productivity growth now accrues to labor.

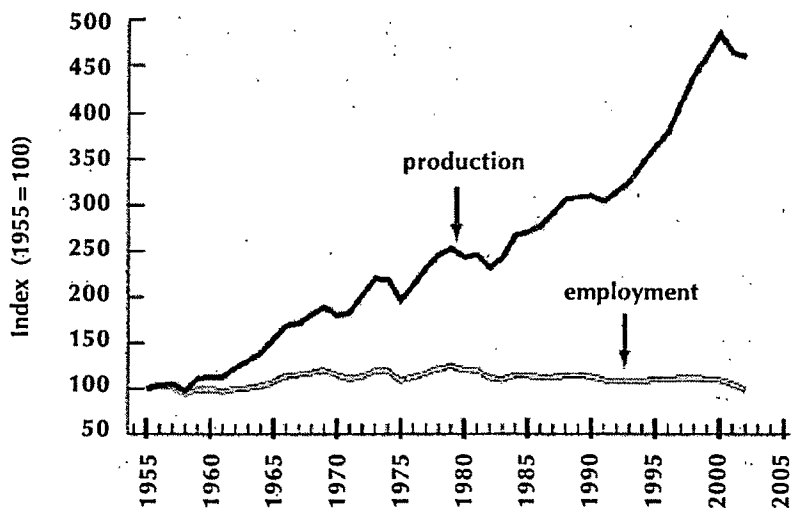
Regardless of the potential for workers to share some of the income generated by increased productivity, more efficient production creates problems for labor. With greater labor productivity—whether produced by new machines or more effective management techniques for controlling labor (“doing more with less,” as they say nowadays)—fewer or less-skilled workers are needed for a given level of output. Thus, productivity growth is a constant threat to employment security, especially with respect to well-paying jobs in mature industries in which total output is not growing rapidly. Layoffs resulting from productivity gains are, therefore, a supply source for the reserve army of labor. The increase in U.S. labor productivity in manufacturing industries has been substantial, as can be seen in chart 1. From 1955 to 2000 manufacturing production increased close to 400 percent, while employment increased by around 10 percent. While some of the increased production involved the use of components manufactured in other countries, increasing labor productivity was responsible for most of the growth in production while worker numbers barely budged.

Much has been made of the decrease in manufacturing jobs in the United States—in absolute numbers and relative to all employment. The peak manufacturing employment of 21 million workers occurred in 1979, and then decreased by about 10 percent through 2000 (as productivity increased) and another 10 percent in the 2001–2002 recession and “jobless recovery.” However, little notice has been given to the worldwide decrease in manufacturing jobs, resulting from increasing productivity and global overcapacity. A study of 20 large economies found an 11 percent decrease in manufacturing workers—some 22 million people—between 1995 and 2002 (*Wall Street Journal*, October 20, 2003). Decreases occurred in other core countries (Japan down by 16 percent) and in the periphery (Brazil down 20 percent). Even China had a decrease in factory workers (15 percent), as the number of people laid off from shrinking government-owned industries was larger than the number hired by the rapidly expanding export-oriented industries.

Another source of labor for the U.S. reserve army has been provided by the decrease in welfare benefits. It was clearly implied during the Reagan administration that not only were the rich not rich enough (thus the “need” to reduce their taxes so they would invest more), but the poor were not poor enough. One of the purposes of welfare “reform”—brought into reality by President

Clinton—was to force those on state assistance to join the labor force and accept very unpleasant and/or low paying jobs. This stimulation of the *supply* of labor is undertaken while ignoring the creation of greater *demand* for labor—more jobs.

Chart 1: U.S. Manufacturing Production and Employment



Source: Data from table B-46 and B-51, *Economic Report of the President*, 2003.

New features of the reserve army have arisen along with the current phase of imperialism. With greater internationalization of finance and more active flows of capital from one country to another, the fixed assets of giant corporations have spread globally. Thus, the reserve army of labor in the periphery is now more directly available to capital from the center. This has led to an increasing relative surplus population in the United States and other rich countries. As bosses seek low-cost production facilities in the periphery—directly using labor from the reserve army in those countries—workers in the center are laid off. As mentioned above, immigrant workers from the periphery, many having left rural homes, have also entered directly into the domestic reserve armies of the United States and Europe.

Workers may move from one segment of the reserve army to another, sometimes gaining employment and sometimes losing jobs, sometimes being so discouraged with the poor job market that they

stop looking for work, then renewing their job search under more favorable conditions. A recent newspaper article illustrated the unpredictable changes for someone in a state of employment flux. It described a person who lost his job and looked for work for a while, then stopped looking (and was therefore no longer officially unemployed), then earned a little money through self-employment, and then got a temporary job at less pay than the original job he lost, "with no paid holidays, no sick leave, no pension plan, no health insurance, no future" (*Los Angeles Times*, December 29, 2003). There are, of course, many relatively secure jobs—such as those in local, state, and federal governments, and in schools. But as outsourcing of jobs and privatization of services become common and with state budgets under severe strains—even some of these jobs are growing insecure.

A Weapon of Capital

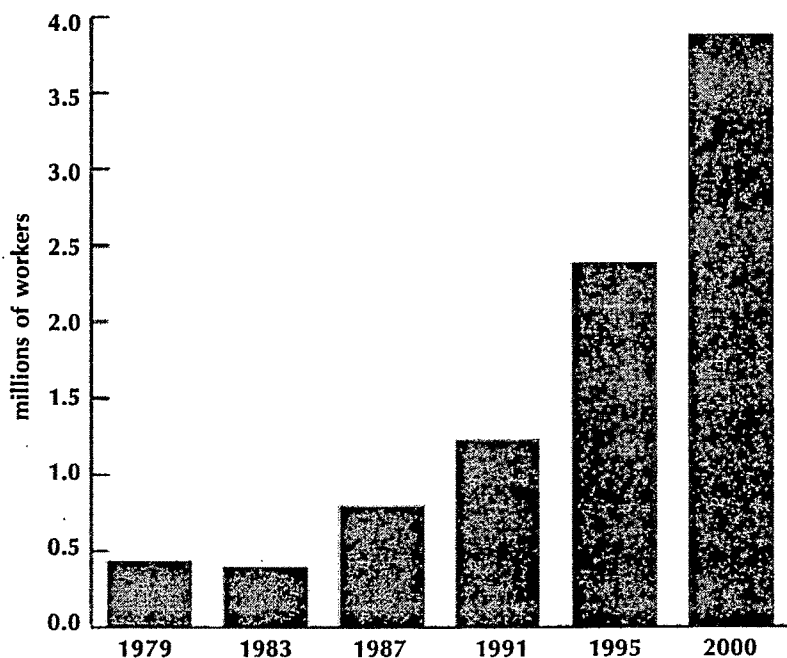
The reserve army provides many benefits to capital, principally by employing workers only when it is possible to profit from their labor. However, it is also a tool of control over labor. Having a large pool of unemployed labor ready to take the place of workers helps to keep wages from growing rapidly. However, the reality of workers knowing that they can easily lose their jobs during a recession, or if a factory moves to a lower-wage country, helps to create a docile labor force. A very large number of people have personal knowledge of how insecure their jobs really are. For example, during the three-year period from the spring of 2000 to the spring of 2003, nearly 20 percent of all U.S. workers—and close to one out of four workers earning less than \$40,000 per year—were laid off from either full- or part-time jobs. On an annual basis, over 30 million jobs are lost, and roughly the same number created—a yearly turnover equivalent to about 20 percent of all jobs! Given this level of job turnover, the atmosphere of potential job loss reaches many workers who haven't lost jobs. When family or friends become unemployed, those still employed feel insecure and are less militant.

It is also not unheard of for workers to be laid off even as new ones are being hired, a practice that keeps workers from getting too uppity. The practice of weeding out union organizers in seasonal industries is easily accomplished because the entire labor force is laid off and then rehired or replaced every year. And the workers know this—a militant leader or union organizer who makes complaints is not rehired.

The use of part-time and temporary workers—readily available because many people are not able to find full-time work—as well as the use of workers hired through contractors, are other tactics to

control labor and weaken the position of full-time employees. Part-time, temporary, and contract workers are generally paid lower wages than full-time permanent workers and are not eligible for pensions, health insurance, or paid holidays. Part-time labor is not confined to the most menial jobs. It is extensively used in higher education, as universities cut labor costs by hiring more part-time "adjunct" faculty. It is also possible to hire managers, computer programmers, and a variety of specialists on a part-time and/or temporary basis.

Chart 2: Numbers of Temporary Workers



Source: D. H. Autor, *Outsourcing at Will: The Contribution of Unjust Dismissal Doctrine to the Growth of Employment Outsourcing*, <http://web.mit.edu/dautor/www/papers.html>.

Labor supplied by temporary employment agencies is a rapidly growing segment of the labor force, now accounting for around 4 million workers, close to 3 percent of nonagricultural private sector workers (see chart 2). The increased use of temporary labor makes it easier to hire and fire workers.

Regular full-time and "permanent" jobs are a shrinking proportion of all U.S. employment, with over a quarter of all workers now working at jobs that are contingent or nonstandard—mostly part-time and temporary workers (see Ken Hudson, "The Disposable Worker," *Monthly Review*, April 2001).

The use of contract labor—workers hired and paid by independent contractors who provide a workforce for businesses—puts workers in especially precarious situations and at the same time allows the ultimate employer to deny any wrongdoing in the treatment of labor. The use of contract labor is widespread, especially for agricultural labor and custodial workers. Contract laborers may work in seasonal industries or may be provided the possibility of longer-term employment. The use of contract labor to do custodial work was highlighted last fall by the raids on Wal-Mart stores, which revealed that many of the workers were working illegally (without proper documents). Wal-Mart spokespersons claimed that they were shocked to find out about the violations of a number of laws. Labor in these positions is vulnerable to the whims of the contractor, whose business is to provide a compliant, low-wage workforce. Using immigrants, working legally or not, who do not know their rights or are afraid to exercise the few rights they have, helps provide the ultimate control. Many contract laborers do not speak English, adding another layer of dependency on the contract bosses. Many of the custodial workers at Wal-Mart were not paid for all hours worked and were forced to work seven days a week, but they knew of no mechanism to obtain their full wages or days off.

Another tool for keeping labor costs low is offsite outsourcing of part of the work of a business, sometimes in cheaper nonunion areas of the country and now increasingly overseas—from fabrication of automobile parts, to assembly of goods, to answering telephone questions. This trend serves to convert a section of the workforce, which was previously employed in relatively secure (with strong union protection) and frequently well-paying jobs, into members of a lower level of the reserve army. Increasingly services are being outsourced abroad. "Overseas facilities are now handling all aspects of employee compensation, benefits, finance and even accounting—in short, any functions that are not unique to the company and are not part of its essential business" (*New York Times*, January 3, 2003). Outsourcing of computer programming and other white-collar work is also accelerating. The growing popularity of Web-based courses offers the opportunity to outsource even college-level teaching. A colleague of one of the authors recently took a Web-based course with two instructors—one in California and the other in Greece.

This is clearly a significant threat to the jobs of teachers in higher education.

While the existence of the reserve army poses a constant threat to the livelihood of workers, the danger it poses is especially potent at this time. In the United States, a direct confrontation with organized labor began in the 1980s with the Reagan administration's defeat of the strike by the Professional Air Traffic Controllers Association (PATCO). The president ordered the firing of all the strikers, despite potentially harmful effects on the airline industry as well as air safety. This set a tone that made it acceptable once more for businesses to play rough with workers. Lax enforcement of the National Labor Relations Act, workers fearful of job loss to outsourcing at home and abroad, and the aggressive stance against labor combined to create a more docile labor force. The timidity of labor in confronting management is indicated by a marked decrease in the number of workers involved in labor stoppages (formal and informal strikes by workers as well as lockouts by employers), as indicated in table 1. During the same period, 1978–2002, the average annual worker-days lost to work stoppages declined by 65 percent, from close to 20 million to around 7 million. The consequences have been the loss of previously won benefits and a long-term stagnation of wages. Between 1973 and 2000 “the average real income of the bottom 90 percent of American taxpayers actually fell by 7 percent” (Paul Krugman, *The Nation*, January 5, 2004).

Table 1: Average Annual Numbers of U.S. Workers Participating in Work Stoppages

five-year period	number of workers
1978–1982	704,000
1983–1987	485,000
1988–1992	314,000
1993–1997	267,000
1998–2002	202,000

Source: Bureau of Labor Statistics

Given the current anti-labor atmosphere promoted by U.S. business and government—such as the tips the Labor Department gives to employers about how to get around paying overtime to low-income workers (*New York Times*, January 5, 2004)—it is hard to believe that the National Labor Relations Act (NLRA) states the following:

[The] declared...policy of the United States...[is] encouraging the practice and procedure of collective bargaining and...protecting the

exercise by workers of full freedom of association, self-organization, and designation of representatives of their own choosing, for the purpose of negotiating the terms and conditions of their employment or other mutual aid or protection.

The NLRA was passed during an exceptional time in U.S. history, when the depression brought forth an unusual constellation of forces—including capitalists who were concerned about the viability of the system and a militant labor movement. Even though the law still exists, it has been subverted repeatedly by both government and bosses.

The Reserve Army—In the Open and Hidden

Although at the top of the heap among capitalist countries, the United States has—and indeed depends on—a large reserve army of labor. While the total size of the reserve army of labor in the United States and elsewhere is difficult to determine, there is information on the status of some of its sectors. First there are the unemployed and the underemployed. At present (February 2004) in the United States, there are over 8 million people actively looking for work (defined as having looked within the last four weeks) and officially considered to be unemployed. The “official” unemployment rate declined between November 2003 and January 2004, from 5.9 to 5.6 percent but not primarily because of new jobs. With only 33,000 more people working at the end of this three-month period, the main cause for the decrease in the official unemployment figure was that over 200,000 people stopped looking for work. There are over 2 million people that want to work but have stopped looking and they are not counted among the unemployed. There are also part-time workers that want to work full-time, approximately 4 million people. The total of underutilized and not utilized workers in the United States comes to around 14 million people—about 10 percent of the potential labor force.

There are many people that don’t show up on most surveys of unemployed or underemployed. For example, the approximately 2 million U.S. prisoners are for the most part removed from productive employment. There is also evidence that some discouraged job seekers have gained disability pensions as a result of enhanced benefits and liberalized qualifications for programs for the disabled. Some workers permanently stop looking for work when faced with long periods of bleak job prospects. Downsizing companies encourage other workers to retire with the offer of early pensions or generous severance payments—over 21,000 workers at Verizon, 10 percent of its labor force, recently took financial inducements to retire (*New York Times*, January 11, 2004). They

retire early and may receive private pensions, as well as Social Security retirement payments after reaching age 62, and therefore are not even considered “discouraged” workers. This group is not evaluated by most surveys, but an indication of its magnitude is that the proportion of U.S. men from 25 to 54 years old that say they are retired and not looking for work rose, from less than 6 percent in 1991 to over 10 percent in 2001 (*Issues in Labor Statistics*, U.S. Department of Labor, Bureau of Labor Statistics, Summary 03-03 September 2003). Germany, in an effort to reduce the embarrassingly high number of officially unemployed has made a novel offer to workers 58 and older. In return for signing a statement stating that they are no longer looking for work, they can continue to receive payments equal to unemployment benefits until eligible for a pension (*Wall Street Journal*, December 22, 2003). That's quite an innovative technique for reducing the official unemployment level and making the economy look better!

Implications

The only way to maintain full employment, if it is ever reached, is to create sufficient new jobs annually to keep pace with productivity growth as well as population growth. At the current rate of population growth, a net gain of about 140,000 jobs per month, about 1.7 million per year, is needed just to keep pace with the increase in the working-age population (calculated from table B-35, *Economic Report of the President*, 2004). However, the normal workings of the system are such that it never delivers the number of jobs needed for full employment. In fact, governmental policies as well as the decisions of many individual capitalists and their representatives are aimed at maintaining a sufficient reserve army so that the economy runs according to the needs of business, with maximum potential for accumulation of capital.

The perpetual presence of a pool of workers—unemployed, working part-time but wanting full-time work, working in jobs that they know might be lost to outsourcing, or working in jobs that are especially sensitive to recessions—is essential to the laws of motion of capital. It constitutes the most important prerequisite for capital accumulation and is central to the difficult conditions of workers in societies dominated by capital.

The fear of losing one's job helps to create and maintain a docile workforce and contributes to racism and anti-immigrant sentiments. When there aren't sufficient jobs for all, competition for employment can take the form of antagonism against a minority population. The reserve army serves to maintain a downward pressure on wages and to increase job insecurity, making it harder for workers to fight

back.

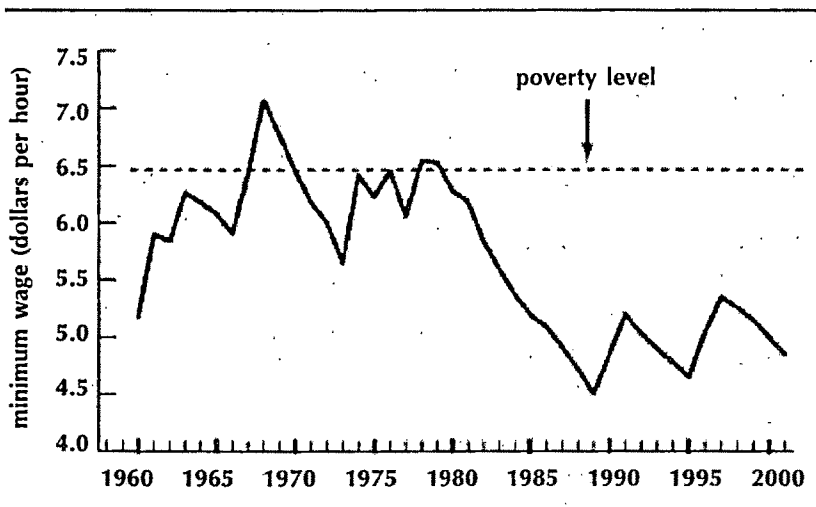
It is hard to organize unions in an environment where there is always surplus labor that can not only replace militant leaders but also an entire labor force, if necessary to break a strike. Workers in many businesses are well aware that if they get too bold and demand wage increases or resist concessions the response from owners will be to move the plant to Mexico or China. Thus, in addition to a mostly hostile government and media attitude toward labor for the last few decades, the fear of job loss has had a profoundly quieting effect on militancy. Union membership in the United States has declined markedly over the last two decades and now represents only 13 percent of wage and salary workers.

A reserve army makes an extensive welfare system necessary. Because workers have only one way to live under capitalism—by selling their labor power—a reserve army necessitates some mechanisms for maintaining the unemployed and those earning poverty wages in a state in which they are available and ready to work when capital calls. From the capitalist's point of view, the government should maintain a minimal unemployment and welfare system so that it uses as little as possible of *their* corporate money and taxes. Of course, it is also to capital's advantage to diffuse the costs of the welfare programs, with as much funding as possible coming from charitable donations or the workers themselves. Popular struggles may gain successes, such as the Great Society welfare programs of the 1960s, but, when conditions are favorable for reversing these gains (as they have been in recent decades), capital is ready to reduce or eliminate social programs.

Persons in the lower reaches of the reserve army naturally and through no fault of their own require assistance to maintain themselves—unemployment benefits, government supported welfare, privately donated food, and so on. Even those employed part-time or in low-wage full-time jobs need help to pay for rent, utilities, food, and childcare. The federal minimum wage, currently earned by nearly 7 million workers and influencing the pay of millions more low-wage earners, hasn't kept pace with inflation—since the late 1980s it has been about \$1.50 an hour less, in constant dollars, than it was in the late 1970s (see chart 3). Once able to cover many of the basic needs of workers, the minimum wage is no longer sufficient. Someone earning the minimum wage of \$5.15 per hour (current dollars), for 52 weeks at 40 hours per week, has an annual income of \$10,712. This is only three-quarters of the \$14,300 needed for a family of three to reach the officially defined poverty threshold.

Part of the explanation for the meager support for those

Chart 3: Minimum Wage in 1999 Dollars and Poverty Level for Family of 3 (assuming earning minimum wage for 52 weeks at 40 hours per week)



Source: Economic Policy Institute, http://www.epinet.org/content.cfm/issueguides_minwage_fig_annualhtml.

consigned by the capitalist system to the reserve army of labor is an ideologically-driven notion that has taken deep root among the U.S. population. The problems of the poor, according to this view, are mainly due to their own failings—they are lazy or just haven't had the foresight to get a good education, or had children when they were too young. This perverse logic, that an essential component of the economic system—produced and continually reproduced by capitalism—is somehow the fault of the least powerful, is also internalized by the poor themselves. Even if the myth were true, it would still be immoral to deny adequate shelter, food, and healthcare to the children of such “deficient” parents, or to the “failed” individuals themselves, for that matter. Racism also plays its part, with the misperception among many whites that welfare is a program mainly for minorities.

Because a large fraction of capital's future needs for labor can be filled by the less educated echelons of the reserve army, an educational system in which all succeed is not necessary. The Bush administration's intrusion into public school education (the so-called No Child Left Behind act), is no less than a blow against public education in the guise of assisting schools.

The Future of the Reserve Army

The reserve labor armies of the United States and Europe have been in a privileged position relative to their counterparts in the third world, where the greater part of the global reserve army of labor is now located. This has been the result of historic and frequently bitter labor battles fought in the core countries many decades ago. Their outcomes were better working conditions, steadily increasing wages (and a minimum wage, as inadequate as it might be), protections against arbitrary firing, more paid time off, better welfare programs, subsidized school lunches for children of low-income families, old-age pensions, and healthcare benefits. Some of these gains were made during periods of rapid economic growth, which provided surpluses that eased the pain of capitalists forced to pay higher wages. Additionally, during the Cold War, the atmosphere, while not pro-labor, was more amenable to meeting labor's needs. Capital wanted labor's support in the struggle against the Soviet Union as well as in the various hot wars, including those in Korea and Vietnam.

The current push by capital to enhance its flexibility in the center as well as the periphery is a huge threat to labor. The lack of union strength and militancy and the job losses in the United States resulting from the recent phase of stagnation and imperialism have resulted in a very docile and frightened labor force—causing concessions on working rules and benefits. Labor in Europe, where its historic gains have been more substantial, does not currently appear able to resist the negative changes to its working conditions and social programs. Labor in the periphery is generally weak compared with the forces arrayed against it and has few ways of fighting back short of outright revolt.

The current situation and trends outlined above will most likely continue to put more and more pressure on labor. Although unemployment rates will vary in response to the business cycle, the reserve army—regulating the supply and demand for labor—will continue as long as capitalism endures. Today this general law of capitalist accumulation has assumed a global field of operation, with the mass of the reserve army in the periphery and growing by leaps and bounds as more and more rural workers are forced into the vast urban slums of the third world. At the same time, there is no island of stability in the advanced capitalist countries—no labor aristocracy there that is seeing its conditions improve as a result of this global exploitation. The general difficulties for workers around the world in this era only mean that a larger proportion of the population will join the reserve army of labor, with worsening prospects.

What capital is doing, and will continue to try to do, is apparent—whatever it possibly can to enhance investment profitability. This will continue to exert downward pressure on wages, working conditions, and benefits for workers. For the last quarter-century the class struggle in the United States has been one-sided, with capital on the offensive and winning battle after battle. Although permanent security for those in (or on the brink of entering) the reserve army of labor depends on changing society, a vigorous workers struggle can score significant gains. Capital's plan for the future is clear. The real question then becomes, what will be the response of labor?



In an Article Entitled 'The Reserve Army'

Many of those that do not work would almost certainly like to. By the OECD's reckoning, the ranks of those who could be mobilised are thus far bigger than those that are formally classed as unemployed. Indeed, in most countries, according to the OECD, there are far more gains to be had in bringing inactive workers into work than in reducing unemployment to its "natural" rate. In Italy, for example, the OECD reckons that more than a fifth of the working-age population could be brought into work, and some 17% in Spain and Greece.

—*The Economist*, February 14th, 2004

Workers Looking for Jobs, Unions Looking for Members

MICHAEL D. YATES

In January 2004, the U.S. labor market looked like this: Out of a civilian labor force of 146,863,000 persons, 8,297,000 were officially unemployed, meaning that they were not working but had actively sought work in the past four weeks. This gave us an official unemployment rate of 5.6 percent, down very slightly from the 5.7 percent posted in December 2003. This unemployment rate masked considerable disparities in unemployment rates by race and ethnicity. The black unemployment rate for January 2004 was 10.5 percent, and the Hispanic rate was 7.3 percent. The national average also hid differences among the states. In some parts of the country, unemployment rates were significantly higher than the national average. In the Pacific Northwest, where I have been living for the past year, signs of economic distress are easy to see. Not only have the unemployment rates of Oregon and Washington been significantly higher than the national average—7.3 percent in Oregon in December 2003; 6.8 percent in Washington—both rates were only slightly lower than they had been one year before. Homelessness of both young and old abounds.

The official unemployment rate does not tell us how much unused labor there is in the economy, that is, how large is the reserve army of labor. Excluded from the official count of unemployed are a number of groups. People working part-time but who would prefer full-time work (now defined as 35 hours per week) are called “involuntary part-time workers.” In January there were 4,714,000 such persons. People who stop looking for work but who want a job and have searched for work in the past year are described as persons “marginally attached to the labor market.” In January there were 1,700,000 of these, of whom 432,000 were “discouraged workers,” those who stopped looking for work for a “market-related” reason such as a lack of available jobs in their

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occupation. If we add the involuntary part-time workers and the marginally attached to the officially unemployed, we get 14,714,000 persons for January and an expanded unemployment rate of 9.9 percent, perhaps a truer measure of labor market employment distress.¹

However, even the expanded unemployment rate does not include all of the labor surplus. In an economy experiencing slack labor markets for several years, some workers will just drop out of the labor force and not be counted even as marginally attached. For example, some may take a forced early retirement and live as best they can on a reduced income. There is evidence that workers whose bodies have begun to break down from a lifetime of strenuous work are increasingly seeking and getting Social Security disability benefits. As corporate downsizing, relocation, and outsourcing eliminate their jobs, these workers start to see disability as the only way for them to make an income. Since 1990, the number of persons on Social Security disability has risen by nearly 100 percent, to nearly 6 million. Between January 2001 and September of 2002, the disability rolls grew by almost 400,000.²

Some persons unable to find work end up in prison. Many unemployed persons today have been looking for work for a long time. In January 2004, the share of the officially unemployed who had been searching for work for at least 15 weeks was 40.2 percent, and this share has been rising for some time. In January 2003, it was 35.3 percent. For those unemployed 27 weeks or longer, the percentage for January 2004 was 22.7; a year earlier it had been 19.5 percent. The average (mean) duration of unemployment is now 19.8 weeks, up two weeks from one year ago.³ Long spells of unemployment sometimes lead people to commit crimes or be in situations where it is more likely that they will be accused of crimes. This, in turn, will put some of them in prison. The United States leads the world in number of persons incarcerated in prisons and jails, more than 2 million, of whom about half are black. Suppose that just one-half of the black persons in prisons and jails are disguised unemployed, that is, about 500,000 people. If we added these persons to the number of black unemployed in January 2004 (and by definition, to the black labor force), the black unemployment rate would rise from 10.5 to 13.1 percent, an increase of more than 20 percent. In connection with these astounding numbers, it is well to remember that many prisoners are working behind bars, engaged in what can only be called forced labor. As one prison activist put it,

For private business, prison labor is like a pot of gold. No strikes. No union organizing. No unemployment insurance or workers'

compensation to pay. No language problem, as in a foreign country. New leviathan prisons are being built with thousands of eerie acres of factories inside the walls. Prisoners do data entry for Chevron, make telephone reservations for TWA, raise hogs, shovel manure, make circuit boards, limousines, waterbeds, and lingerie for Victoria's Secret. All at a fraction of the cost of "free labor."⁴

The considerable labor surplus just described must be put in historical context to draw out its full meaning. This surplus exists 27 months into an economic recovery! As many economists have noted, we are in a jobless recovery; in fact, the current employment situation is without precedent. Stephen Roach, chief economist at Morgan Stanley, put it this way:

The modern-day U.S. economy has never seen anything like this. Fully 25 months into this so-called economic recovery, private-sector jobs are still about 1 percent below levels prevailing at the official trough of the last recession in November 2001; at this juncture in the typical recovery, jobs are normally up about 6 percent. Had Corporate America held to the hiring trajectory of the typical cycle, fully 7.7 million more American workers would be employed today. Moreover, the current hiring shortfall far outstrips that which was evident in America's only other jobless recovery—the upturn following the recession of 1990–91. In that instance, it took about 12 months for the job machine to kick back into gear. By our calculations, the current job profile in the private economy is now 2.4 million workers below the trajectory of the jobless recovery a decade ago.⁵

There is some controversy about the changes in employment referred to by Roach. The federal government's Bureau of Labor Statistics conducts two monthly surveys from which employment information can be gathered. Roach and most economists use the Payroll Survey of about 400,000 business establishments, with an average coverage of 40 million employees. This survey indicates an employment loss of 726,000 jobs between the end of the last recession (November 2001) and November 2003. It also shows a job loss since the beginning of the last recession (March 2001) of 2.4 million jobs.

The other monthly survey is the Household Survey of about 60,000 households. The Household Survey, which is used primarily to calculate the monthly unemployment rate (this cannot be calculated from the Payroll Survey, for obvious reasons), shows an increase in employment of almost 650,000 from March 2001 to November 2003. However, there are serious problems with using the Household Survey as an estimate of job growth. Some of the growth in employment was due simply to new population estimates derived from the 2000 census and succeeding estimates of population

growth. A population adjustment was made in January 2003, and this adjustment increased employment by 576,000 persons. To make the Household Survey employment estimates since January 2003 comparable with those taken before this date, it would be necessary to upwardly adjust the earlier numbers. This would show much less employment growth. In addition, the Household Survey counts as employed persons who are self-employed, are working without pay in a family business, and who are on unpaid leaves of absence. There is some evidence that there has been a significant rise in self-employment since the onset of the last recession. What this probably means is that some people who can't find jobs simply declare themselves to be entrepreneurs, something they would not have done had regular jobs been available. For example, one of my cousins lost a job as a coal miner because his mine shut down. To earn some money he has been washing cars in his home garage. He is a lost job in the Payroll Survey, but he is employed in the Household Survey.

If the two surveys are reconciled for their differences, they show employment numbers which are fairly close together, giving credence to the phrase "jobless recovery." So anemic has recent job growth been that President George W. Bush is poised to be the first president since Herbert Hoover to end a term in office with less national employment than when his term began.⁶

These many months of labor market slack are reflected in the wage data. At the aggregate level, Roach notes,

There can be no mistaking the important implications of this jobless recovery. Lacking in job creation as never before, it follows that there is an equally profound shortfall of wage income generation. Normally, at this juncture in a U.S. business cycle expansion, private wage and salary disbursements—fully 45% of total personal income and easily the largest component of household purchasing power—are up by 8% (in real terms). Yet 24 months into the current expansion, this key slice of income is actually down nearly 1%—the functional equivalent of about a \$350 billion shortfall in real consumer purchasing power.⁷

Wage growth has slowed down markedly. In the expansion year of 2003, median weekly wages fell a bit in real terms (i.e. in terms of purchasing power), the first time this happened since 1996. In general, wages have been stagnant, adding evidence to the argument that labor markets are slack even though the economy has been growing for more than two years.

It is not as if slow wage growth is taking place in a high-wage economy or in one in which the majority of workers have meaningful and steady jobs. In 2001, at the end of a ten-year economic

expansion, 23.9 percent of all employment paid a wage inadequate to support a family of four above the poverty level even with full-time, year-round employment—a wage rate of \$8.70 an hour. For blacks this figure was 31.2 percent, and for Hispanics it was 40.4 percent. Only long hours of work allow many families to meet even minimum needs. The United States now leads the rich nations in average yearly hours of work.⁸ In 1979, the average Japanese worker toiled for 281 more hours than did a U.S. worker, but by 2000, the average U.S. worker forged ahead. While Japanese workers cut 286 hours from their work year, U.S. workers added 32 hours to theirs. In all too many cases, long hours are made possible by virtue of the fact that workers work long hours of overtime or hold more than one part-time job.

The notion that the United States is a nation with a surfeit of good jobs does not hold up under close scrutiny. Tens of millions of workers labor at low-paying jobs that do not utilize anywhere near their potential capacities. Nearly 30 million persons labor as teaching assistants, food preparers and servers, counter attendants, cashiers, counter and rental clerks, bookkeepers, customer service reps, stock clerks and order fillers, secretaries, general office clerks, assemblers, sorters, helpers, truck drivers, packers and packagers, and laborers. The Bureau of Labor Statistics estimates that the ten occupations with the largest job growth between 2000 and 2010 will be food preparation and service workers, customer service representatives, registered nurses, retail salespersons, computer support specialists, cashiers, general office clerks, security guards, computer software engineers, and waiters and waitresses. Of these, nurses and software engineers are the only obviously “good” jobs, and even these are rapidly being rationalized by cost-conscious managers. And it is hard to think of jobs in which workers do not feel a sense of insecurity, fearful that they may be next on the corporate chopping block.⁹ This insecurity makes it easier for employers to raise the rate of exploitation. In Portland, Oregon, I know of many workers who hold more than one part-time job to make ends meet and are so fearful of being displaced that they work off the clock rather than risk their boss accusing them of “milking the time clock.”

It is not my purpose here to delve into the causes of the “jobless recovery.” Roach points to the outsourcing of jobs to low-wage venues, including skilled work once thought immune to this, made possible by the revolution in information technology, as a prime culprit. No doubt there is truth in this. The United States has been hemorrhaging manufacturing jobs for a long time, 42 consecutive months in fact. Some of these jobs have moved abroad, although

some of them have been lost as a consequence of labor-saving technology and work reorganization. Information technology employment has actually fallen a bit in the current economic recovery in the United States, while it has skyrocketed in India. On the other hand, however, manufacturing employment has fallen worldwide over an extended period of time, a sign perhaps of the excess capacity that plagues global capitalism and is a direct consequence of the capital spending binge of the recent economic bubble. More automobiles, steel, computers, and fiber optic cable can be produced than consumed. The consequences of this overcapacity are plant closings, downsizings, and layoffs.

Capitalist economies always experience cyclical ups and downs, and they are always susceptible to structural changes, such as technological revolutions. These, in turn, have multiple impacts on the working class. However, the strength of these impacts is critically dependent on how well workers are collectively organized, both in their workplaces and politically. It is one thing to lose a job as a steelworker in a nonunion plant; it is another to lose one in a unionized workplace. It is one thing to have your job outsourced when you were working in the United States; it is another to have it sent out of the country when you were employed in Germany. There is a great difference between being poor in the United States and being poor in Sweden. These differences are due to the different levels of organization of these countries' working classes.

There are various ways to measure the strength of a nation's working class. What is the union density, that is, the fraction of nonsupervisory employment belonging to unions? This is not a perfect measure, because there are countries, such as France, that have low densities but reasonably cohesive working classes capable of successfully confronting both employers and government. But in general, workers are better off, both in terms of wages and benefits and social provision, in places where union density is high. What is the incidence of strikes? Strikes are workers' primary weapon in the class struggle. Where they are very rare, we can legitimately suspect that the labor movement is weak. Finally, is there a strong labor political party? Where there are parties rooted solidly in the working class, and where these parties are significant national actors, we would expect workers to have more worker-friendly laws as well as more and better social welfare programs.

By the standards of these three questions, the labor movement of the United States is in a bad way. In 2003, union density in the United States was 12.9 percent; it has fallen steadily since 1983 when density was 20.1 percent. Total union membership was 15.8 million, down 369,000 from 2002 and less than it was in 1995 when

John Sweeney and his "New Voice" reform slate took power in the AFL-CIO and promised to organize millions of new members. Union density in the private sector of the economy is a stunningly low 8.2 percent, down by half since 1983. Only the 37.2 percent density in the public sector, which has held fairly steady since 1983, has kept the membership figures from showing catastrophic declines. About 17 percent of all public sector union members are in the federal government, and these are under strong attack from the Bush administration, which is both pushing for the privatization of many federal services and denying bargaining rights to federal unions under the cover of national security. State and local government workers are also threatened by both privatization and the fiscal crises of most of the states. So it might not be long before the public sector density and membership numbers start to decline as well. In any event, apart from France, the United States has the lowest union density of any rich capitalist country. It is interesting to note that half of all union members in the United States live in just six states: California, New York, Illinois, Michigan, Ohio, and Pennsylvania, states which account for only one-third of all wage and salary workers.

The Bureau of Labor Statistics keeps records of work stoppages involving 1,000 or more workers. Both the number of such strikes and the number of workers involved are at historic lows. In 2002, there were nineteen such work stoppages; by comparison there were 470 in 1952 and 187 in 1980. In 2002, these work stoppages involved 45,900 workers; in 1952, the number was 2,746,000, and in 1980 it was 795,000. Strikes, especially those involving large numbers of workers, are becoming increasingly rare in the United States, a fact that, combined with the low density numbers, is indicative of the weakness of the labor movement.¹⁰

Not much needs to be said about labor's political clout. It is extremely limited. There is no labor party or real labor political presence in the United States. Every four years, the AFL-CIO and the member unions pump tens of millions of dollars into the campaign of the Democratic Party candidate for president. Yet, the returns on these investments have been minimal. There have been successes at the local level, and labor's efforts there have at least got some politicians talking about labor issues. But labor leaders do not even seem to have enough power nationally to force the candidates whose coffers they fill to give them some air time to champion labor causes. And the politicians labor supports often seem ignorant of the most basic labor issues and neither committed nor powerful enough to pass legislation beneficial to workers. On the "Chris Matthews Show," Congressman Dick Gephardt, a

politician strongly supported by organized labor, did not appear to know what a right-to-work law was. And compared to the other rich capitalist economies, the United States has far and away the most porous social safety net.

To see how important the weakness of the U.S. labor movement is in terms of the well-being of workers, it is necessary to show what unions mean to them. Lawrence Mishel and Matthew Walters of the Economic Policy Institute recently surveyed the literature in a paper titled "How Unions Help All Workers." Here are their conclusions:

- ◆ Unions raise wages of unionized workers by roughly 20 percent and raise compensation, including both wages and benefits, by about 28 percent.
- ◆ Unions reduce wage inequality because they raise wages more for low- and middle-wage earners than for higher-wage workers, more for blue-collar than for white-collar workers, and more for workers who do not have a college degree.
- ◆ Strong unions set a pay standard that nonunion employers follow. For example, a high school graduate whose workplace is not unionized but whose industry is 25 percent unionized is paid 5 percent more than a similar worker in a less unionized industry.
- ◆ The impact of unions on total nonunion wages is almost as large as the impact on total union wages.
- ◆ The most sweeping advantage for unionized workers is in fringe benefits. Unionized workers are more likely than their nonunionized counterparts to receive paid leave, are approximately 18 percent to 28 percent more likely to have employer-provided health insurance, and are 32 percent to 54 percent more likely to be in employer-provided pension plans.
- ◆ Unionized workers receive more generous health benefits than nonunionized workers. They also pay 18 percent lower health care deductibles and a smaller share of the costs for family coverage. In retirement, unionized workers are 24 percent more likely to be covered by health insurance paid for by their employer.
- ◆ Unionized workers receive better pension plans. Not only are they more likely to have a guaranteed benefit in retirement, their employers contribute 28 percent more toward pensions.
- ◆ Unionized workers receive 26 percent more vacation time and 14 percent more total paid leave (vacations and holidays).
- ◆ Unions play a pivotal role both in securing legislated labor protections and rights such as safety and health, overtime, and family/medical leave and in enforcing those rights on the job.

Because unionized workers are more informed, they are more likely to benefit from social insurance programs such as unemployment insurance and workers compensation. Unions are thus an intermediary institution that provide a necessary complement to legislated benefits and protections.¹¹

It appears then that the best way for workers to both improve their quality of life and protect themselves against the many insecurities endemic to capitalist economies is to join unions.

Despite the anti-union bias of employers and much of the media, workers seem to have a good understanding of this. According to recent Gallup polling, 65 percent of people in the United States approve of unions; a strong majority believe that unions do more good than harm; and millions of workers say that they would join a union if they could.¹²

We have a situation in which workers are having grave difficulties finding jobs, especially good jobs, and those who are employed are faced with the real possibility that they will become redundant. At the same time, large-scale unionization of the workforce would provide a tried and tested way to not only improve the circumstances of union members but to create a climate in which the effects of downsizing, outsourcing, technological change, sickness, workplace injuries, and old age would be much more worker friendly. A high proportion of the working class appears to grasp this. Yet union density and union membership are falling, and unions have seen their political leverage slip away. What is going on?

I have been over this ground before in the pages of this magazine, so I will not repeat it in detail.¹³ But two points need to be made. First, it is not as if the AFL-CIO and its member unions do not know how to organize workers. In his recent book, *The Next Upsurge: Labor and the New Social Movements*, Dan Clawson provides ample evidence through case studies and interviews that workers of all kinds can be organized, despite all the barriers so often noted, such as ineffective and employerfriendly labor laws.¹⁴ Clawson shows that unions are successful when they do some or all of the following:

- ◆ empower the rank-and-file in slow and deliberate organizing campaigns that develop the workers' capacities and are aimed at forming democratic unions, and continue to do these things even if the unions suffer initial defeats;
- ◆ envision the labor movement as something larger than labor unions and struggle for community goals such as low-cost housing, while at the same time building workplace power through community alliances;

- ◆ support, ally with, and give monetary assistance to labor friendly and nontraditional labor groups, such as the global justice and antisweatshop movements, worker centers such as the Chinese Staff and Workers' Association, and Jobs with Justice;
- ◆ face issues of gender, race and ethnicity head-on and make such issues central to organizing.

It is interesting to note that the strategies and tactics described and analyzed by Clawson are very much like those used by the labor movement in the 1930s, which were fundamental to building the left-led CIO unions. They were also critical to the successes of a remarkable group of what Vanessa Tait calls "poor people's unions" that came to life from the 1960s onward, the period in which the AFL-CIO and most of its member unions had abandoned even the pretense of building a labor movement.¹⁵ What successes labor unions have had in recent years are the result of doing the things done by groups such as the National Welfare Rights Organization, ACORN's United Labor Unions, the Revolutionary Union Movement, workfare unions, and workers' centers.

Clawson believes that the growing union embrace of movement building, combined with the growth of the global justice and other movements, puts labor in a position for a new "upsurge" of rapid growth similar to that of the CIO in the 1930s. Clawson may be right, but he may also be engaging in wishful thinking. Which brings me to my second point. What Clawson and most commentators on the labor movement nearly always fail to discuss is the left. In the 1930s there was a vibrant left-wing politics in the United States and many left-wing organizations. The left already had a long history in the United States at the beginning of the Great Depression, and the various strands of the left, including the Communist Party, were critical to labor's upsurge. Not only did leftists build the new unions, pioneering the tactics praised by Clawson, but they also were committed to building a radically different society. Their ideological commitment sustained them in hard times, and more importantly, helped them to impart to workers a class way of looking at things and a feeling that they were part of something larger than themselves.

Today, there is nothing like this within organized labor or, for that matter, in most other progressive movements. Sweeney's "New Voice" was a revolution from above, and, like all such "revolutions," envisioned change as limited and moving from the top down. As such, this revolution has clearly failed. One sign of its failure is the appearance of a new group, mainly situated within the AFL-CIO called the New Union Partnership (NUP), led by the leaders of five

large unions: the Service Employees International Union, the Hotel Employees and Restaurant Employees Union, the Union of Needletrades, Industrial and Textile Employees, the Laborers International Union of North America, and the Carpenters Union (which is not now in the AFL-CIO). The NUP argues that union density must be increased if labor is to regain its power, and its leaders argue that a structural reorganization of unions, involving the consolidation and elimination of many unions, the strategic division of union jurisdictions among the few remaining unions, the elimination of local control over central labor councils, and the devotion of nearly all union resources to organizing and politics is pivotal to union success. I cannot go into the details of the NUP plan here, but at this point it is not clear that it is suffused with the vision embraced by Clawson and Tait.¹⁶

The years since the "New Voice" give witness to the fact that, despite many improvements made in the house of labor and the spaces opened up for labor progressives, progressives have little reason to hope for more than they have already achieved. Labor's top leaders are not going to start talking about class; they are not going to form a labor party; they are not going to champion union democracy; they are not going to lead the global justice movement; they are not even going to confront their own redbaiting and pro-imperialist past (they have been asked to do so but so far have refused).¹⁷

What is critically needed is a labor left.¹⁸ I am convinced that there is a base for a left within the labor and allied movements. There are many potential radicals in every labor union, up to and including local leadership and national union staff. What these folks need is to hear a left-wing analysis of capitalist society. I can attest from 25 years as a labor educator that when they hear it, many of them take to it like fish to water. If I am correct, workers will have a much better chance to find jobs and unions members if the labor movement shifts sharply to the left, embracing class analysis as its ideology and class struggle as its strategy. But for this to happen, the left must become as active as it can in every union, every organizing drive, every effort at labor education, every political campaign, every movement for social justice. Labor education is especially important, as the recent right-wing attack on college labor studies programs makes clear. There is nothing employers fear more than a radically educated working class.¹⁹

Notes

1. All of the data in the first two paragraphs are from the Bureau of Labor Statistics, <http://www.bls.gov>.

2. Louis Uchitelle, "Laid-Off Workers Swelling the Cost of Disability Pay," *The New York Times*, September 2, 2002.
3. See <http://www.bls.gov>.
4. Eve Goldberg and Linda Evans, *The Prison Industrial Complex and the Global Economy* (Berkeley: Prison Activist Resource Center, no date), <http://www.prisonactivist.org/crisis/evans-goldberg.html>.
5. Stephen Roach, "False Recovery," January 12, 2004, <http://www.morganstanley.com/GEFdata/digests/20040112mon.html>.
6. For a good summary of the two employment reports, see Elise Gould, "Measuring Employment Since the Recovery: A Comparison of the Household and Payroll Surveys," Economic Policy Institute Briefing Paper #148, December 12, 2003, http://www.epinet.org/content.cfm/briefingpapers_bp148.
7. Roach, "False Recovery."
8. Lawrence Mishel, Jared Bernstein, and Heather Boushey, *The State of Working America 2002/2003* (Ithaca, N.Y.: Cornell University Press, 2003), 134-139, 425.
9. See Michael D. Yates, *Naming the System: Inequality and Work in the Global Economy* (New York: Monthly Review Press, 2003), 100-103.
10. Data on union density and strike incidence are also available at the BLS website.
11. Lawrence Mishel and Matthew Walters, "How Unions Help All Workers," Economic Policy Institute, Economic Policy Institute Briefing Paper #143, August 2003, http://www.epinet.org/content.cfm/briefingpapers_bp143.
12. Lydia Saad, "Labor Unions Broadly Supported," <http://www.gallup.com>.
13. See, for example, Michael D. Yates and Fernando Gapasin, "Organizing the Unorganized: Will Promises Become Practices," in Ellen Meiksins Wood, Peter Meiksins, and Michael Yates, editors, *Rising From the Ashes: Labor in the Age of Global Capital* (New York: Monthly Review Press, 1999). This is an updated and revised version of an essay of the same title published in the July/August 1999 issue of *Monthly Review*.
14. Dan Clawson, *The Next Upsurge: Labor and the New Social Movements* (Ithaca, N.Y.: Cornell University Press, 2003).
15. See Vanessa Tait, *Poor Workers' Unions: Rebuilding the Labor Movement from Below* (Boston: South End Press, forthcoming).
16. For details on the NUP, see William Johnson and Chris Kotalik, "New Unity Partnership: Five Union Presidents Launch Bid to 'Revolutionize' AFL-CIO," *Labor Notes*, <http://www.labornotes.org/archives/2003/10/a.html>; JoAnn Wypijewski, "The New Unity Partnership: A Manifest Destiny for Labor," *Counterpunch*, October 6, 2003, <http://www.counterpunch.org/jw10062003.html>, and the rebuttal by Tom Woodruff (along with Wypijewski's response) in

Counterpunch, November 4, 2003, <http://www.counterpunch.org/woodruff11042003.html>.

17. See Kim Scipes, "AFL-CIO Refuses to Clear the Air on Foreign Policy Operations," *Labor Notes*, February 2004.
18. See the speech given by Bill Fletcher Jr. at the 2003 *Labor Notes* conference,
<http://www.labornotes.org/conferences/speeches.html#fletcher>.
19. See David Bacon, "Class Warfare," *The Nation*, January 12, 2004, <http://www.thenation.com/doc.mhtml?i=20040112&s=bacon>. It is very unfortunate to note that organized labor itself is not always keen on labor education, especially when the educator is critical of labor's leaders. Eighty-nine year old labor educator Harry Kelber, a long-time critic of AFL-CIO and member union leaders, was recently expelled from his local union on suspect charges of missing a couple of months of dues payments.

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New Economy R.I.P.

SASHA LILLEY

Doug Henwood, *After the New Economy* (New York: The New Press, 2003), 269 pages, hardcover \$24.95.

In the late nineties, the San Francisco Bay Area was caught up in the mania of the high-tech, information-based "New Economy." Venture capitalists threw money at e-commerce start-ups based on dicey premises, while loss-making companies raked in millions at their initial public offerings. In low income areas like the Mission District, dot-coms moved in, forcing out poor people whose only recourse was to organize themselves in anti-displacement coalitions and hope for the market to crash. In the fray, even a new type of gold digger emerged: women in search of nerdy adolescent millionaires with fat stock options. It was a stupefying time.

Legions of pundits breathlessly filled the airwaves with their celebration of the brave new world of weightless, frictionless production. Many postmodern and left academics followed suit. Intellectuals like UC Berkeley's Manuel Castells waxed eloquent about the postindustrial network economy where physical objects and places no longer mattered, replaced as they were by a world of flows. Meanwhile, in Silicon Valley, a nonunion and largely female labor force assembled highly toxic electronics components, full of lead, cadmium, and mercury, for an economy lauded for its lack of place or tangibility.

When the bubble came crashing back to earth in 2001 and the foul odor of actually-existing capitalism wafted out, as epitomized by Enron and WorldCom, it became clear that the New Economy hype was as detached from material reality as the dematerialized universe it promoted. In his postmortem of that heady and illusory time, *After the New Economy*, Doug Henwood skillfully slices away the claims of the era, lays out its still-warm carcass, and probes its entrails. Harnessing a wealth of statistical data to back up his damning assessment, he chronicles the dogma, self-delusion, and reality of the U.S. economy at the end of the 20th century.

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According to the New Economy mythos, in the 1990s American capitalism crossed a new frontier into a world where preexisting limits on the economy were no longer relevant. Business cycles were a thing of the past and the physical manufacture of products had been eclipsed by a new, service-based economy. A new way of working had sprung up based on ideas and information, rather than tools and dies. The outsourcing of labor, the elimination of overhead costs, and the importance of information networks and new technologies heralded a new era of unprecedented growth. The Internet and computers were making us more productive than ever, eliminating layers of newly-redundant jobs, and adding to the gross domestic product. That people might use these technologies to send personal e-mails and play solitaire at work was not considered.

The centerpiece of the New Economy was the stock market; the business press exhorted Americans to flock to it en masse. The stratospheric trajectory of stocks supposedly reflected the pent-up potential of new ways of organizing production and distribution. Warnings of a speculative bubble, caused by the unleashing of what Keynes wonderfully termed "animal spirits," were blithely dismissed. We had entered a new era and only the stodgy and unimaginative could fail to recognize this was so.

The media, the relentless promoters of new era hype, did not report on the irrationality of the stock market: the fact that stocks do better around a new moon than a full one, that the weather in New York affects the market (sunny days are good for capitalism), and that at the market's zenith, the price of the average InfoTech stock had no correlation whatsoever to the earnings of the company it represented. But according to the pundits, the all-knowing market was consistently right, not subject to whims and ignorance.

Investment banks jumped on the bandwagon as well. The floodgates of corruption were opened with the 1999 repeal of the Glass-Steagall law—which prohibited investment banks from acting as commercial banks, given the obvious temptations. Banks like Salomon Smith Barney lent money to firms with one hand while underwriting the companies' stock offerings with the other. But, according to the New Economy boosters, it was all for the good, since regulation is an impediment to growth and without such regulation the economy would grow forever.

The reality of the new era was decidedly less stellar than its hype. While productivity in the United States increased in the 1990s, it did so not in a spectacular surge, but at a rate which was rather middling by historical standards. From 1994 to 1999, total factor productivity grew at a rate of 1.0 percent per year, below the average of 1.7 percent from 1950 to 1973. The Netherlands, France,

and Italy, which we are told are afflicted with top-heavy welfare states and growth-inhibiting regulation, have surpassed the United States in productivity growth for the last 30 years and only lagged behind the United States by 0.3 percent during the height of the late 1990s boom. And rather than working fewer hours for more pay as the New Economy ideology would have it, throughout the 1990s Americans worked on average nine weeks more per year than their Western European counterparts.

Similarly, income growth was underwhelming in the 1990s, at least for the majority of workers. Although from 1996 to 2001 wages increased somewhat for most workers, those gains were wiped out by the era's end in 2001. Real wages are now lower for most people than they were in 1973. According to Henwood, a worker paid the average manufacturing wage must now work 81 weeks to make the median income for a family in 2001, whereas in 1973 that worker would have had to work 74 weeks and in 1947, 62 weeks. Yet clearly someone has benefited from the New Economy: the polarization of both income and wealth is now at an almost all-time high.

Henwood makes clear, however, that the boom of the 1990s wasn't simply a mirage although an enormous amount of hot air and self-deception was involved. It was engendered by a real increase in profitability lasting from 1982 to 1997 (after which profitability and stock valuations markedly diverged). But rather than stemming from soaring innovation achieved through the utilization of new technologies and the dematerialized production of the utopian New Economy fable, this surge was the outcome of class warfare waged against workers by capital.

In the late 1970s, in an era of skyrocketing inflation and falling profits, American workers were seen to have too much leverage and power. It was a time of industrial unrest, wildcat strikes, and assembly line sabotage. The opening salvos in the counterattack came with Reagan's crushing of the PATCO air traffic controllers strike in 1981, but the seeds were planted two years earlier when Jimmy Carter appointed Paul Volcker as the chair of the Federal Reserve. Volcker jacked up interest rates in order to manufacture a punitive recession. Businesses were bankrupted, many of which had unionized workforces, leading to high rates of unemployment. Simultaneously, unions were attacked and the basic gains of the labor movement were rolled back. Workers were sent the message that they had better accept their lot if they wanted to make the next rent payment. From 1980 to 1995 real wages fell more than 10 percent.

This neoliberal frontal assault on labor and the welfare state was, of course, later exported to the developing world under the

auspices of the International Monetary Fund and the World Bank. The backlash to those policies is the subject of the most controversial part of Henwood's book. In a chapter titled "Globalization," he challenges the global justice movement's animosity to trade and its promotion of protectionist and localist panaceas.

Unconsciously echoing the New Economy hype of placeless flows of capital darting at warp-speed from one place to the next in search of the cheapest inputs, many in the global justice movement assert that technology and cross-border capital streams have created a new era. For antiglobalizers like Ralph Nader and Maud Barlow, cross border investment and trade threaten jobs, national sovereignty, cultural integrity, and are a danger for all of us who aren't members of the global elite.

Henwood argues that what has come to be known as globalization is not in fact unprecedented, that the nation-state has not been eclipsed by the unchecked rampage of the market, and that we should be cautious about the type of xenophobic politics to which such stances can lead. The world has been "globalized" for centuries and Europe was arguably more globally-integrated before the First World War than it is today. Similarly, contrary to both neoliberal and antiglobalization dogma, the nation-state is not becoming obsolete but rather has been facilitating global investment and trade, providing the undergirdings required for the market to operate, such as contract law and trade agreements. And while the looming threat of plant relocations may play a role in forcing wages down, it remains subject to debate whether capital mobility and trade have in fact led to a "race to the bottom," that is, the fall of wages worldwide.

The way that globalization has been framed by oppositional movements has made some strange bedfellows for the left, such as nationalists and the isolationist right. Henwood points out that internationalism and cosmopolitanism have been some of the most important and noble legacies of the left, and that it is worrying to see the global justice movement evoke unsavory notions of cultural purity in its rush to oppose internationalized capital.

Contrary to what some might conclude, Henwood is not advocating the perpetuation of international production and trade under the present social order. Instead, he wants to transcend it with some form of postcapitalist internationalism, rather than retreating to an imagined self-sufficient golden age. Henwood writes: "It's evil that Merck will steal plants from indigenous people and then patent them, and be protected for doing so under international trade law, but the plants wouldn't do much good if it

weren't for some large, complex organization to develop and process them. Socialize Merck, don't dissolve it." In other words, the target of the left should not be large-scale production or trade per se, but rather capitalism itself.

While *After the New Economy* does not preach to the choir, aimed as it is at readers outside of the socialist left, Henwood would still have done well to have addressed the issue of how imperialism fits into an analysis of globalized capitalism. He objects to the use of the fuzzy term "globalization" when people really mean imperialism, but it would strengthen the persuasive force of his argument if he offered his own view of how capitalism's inequalities operate at the global level. Nonetheless Henwood's critique is a much needed breath of fresh air, given the simplistic assumptions that much of the left holds about globalization and the absence of criticism of these views from within the left.

Unlike most literature on economics and finance, especially works by left writers, *After the New Economy* is a pleasure to read. Henwood is able to write about statistics and financial intricacies that in the hands of a lesser writer could be very dull. And he does this while making thoughtful, provocative arguments that the left could profit from hearing.



The past hundred years, more or less, of reformism in both economics and politics has allowed a nonrevolutionary structure and leadership to become deeply rooted in the working-class movement. It will take a great deal more than spontaneity and combativeness, both of which the French workers [of 1968] displayed in abundance, to overcome this heritage of reformism, now institutionalized in both trade unions and traditional working-class parties. This will certainly not be quickly or easily achieved, but until it has been achieved it will be mere playing with words to speak of a revolutionary working class. In the meantime, the reason for believing that it can be achieved is, at bottom, the increasingly evident fact that global capitalism is in a deepening crisis from which there is no escape within the framework of the system. Up to now the working classes of the advanced capitalist countries have gotten off relatively easily, but henceforth it is probable to the point of near certainty that the burdens of the system's disintegration will fall ever more heavily on their shoulders. And that will make all the difference.

—Paul M. Sweezy,
Modern Capitalism and Other Essays (1972), p. viii.

Greater Inequality, Greater Instability

EDWARD S. HERMAN

Robert Pollin, *Contours of Descent: U.S. Economic Fractures and the Landscape of Global Austerity* (London, New York: Verso, 2003), 229 pages, \$21.00 cloth.

Robert Pollin's *Contours of Descent* deserves wide reading. This is a book sophisticated enough to be of interest to those with economics training, but written in a comprehensible and popular style, so that without sacrificing rigor it will be accessible to any interested citizen. It provides a broad review of the economic policies of Clinton and Bush and the IMF-World Bank regimen for third world countries, and it is packed with interesting details, citations to recent economic studies, and political as well as economic reflections on the passing scene.

Pollin frames the book around the triumph of neoliberalism in U.S. and global economic policy, its consequences, and the possibilities of escape from the neoliberal trap. The basic, and not unfamiliar, theme is that neoliberalism, and the closely related "Washington Consensus," have brought slower growth, greater inequality—and thus increasing poverty—greater instability, and a degraded environment to practically all countries, including the United States. It is an unsustainable system built on unequal power and its unjust use. It is a corruption of classical liberalism, as it imposes free market rules rigorously on weaker countries but makes regular exceptions for the controlling Western rulers.

Pollin argues that free markets have many merits and will surely be utilized in a well-managed economic order, but that the fallacy of neoliberalism is the failure to recognize that markets alone cannot solve three problems that Pollin identifies with Karl Marx, John Maynard Keynes, and Karl Polanyi. The "Marx problem" is the struggle of owners to keep wages under control by maintaining an adequate reserve army of unemployed. This problem has been exacerbated by globalization, the extension of the first world's

Edward S. Herman is Professor Emeritus of Finance, the Wharton School, University of Pennsylvania.

reserve army to third world workers, and the use of this credible threat to keep wages down. Pollin acknowledges that this could benefit third world workers, but notes that this potential gain is limited by other effects of globalization, such as the influx of cheap agricultural imports, the shift to export-oriented agriculture, and the resultant massive flow of dispossessed peasants into urban labor markets.

The "Keynes problem" refers to the inherent instability of investment and the tendency of speculation to take over financial markets, the major theme of Keynes' classic *General Theory of Employment, Interest and Money*. The globalization of finance, the deregulation process of the past two decades, and the new faith in untrammelled markets, supported by the "efficient markets" and other free market rationales and ideologies of the Chicago School and much of the economics profession in general, have made the Keynes problem more acute. Pollin focuses heavily on the Clinton era stock market bubble as a classic illustration of the Keynes problem—its sources, costs, and once again the failure of much of the economics profession to see the bubble as a danger and manifestation of a badly working economy and derelict macro policy management.

The "Polanyi problem" harks back to another classic, Polanyi's *Great Transformation*, and its analysis of the terrible human costs of the failure to provide social protections for the victims of the agrarian and early industrial revolution in England. The lesson is that an untrammelled free market is socially intolerable and that decency and social stability require a protective framework that recognizes common humanity. Key elements in the protective framework are labor organizations and state institutions and policies that can meet the contingencies of unemployment, sickness, and old age. As Pollin stresses, neoliberalism has had the support of the powerful and the intellectual rationales to carry out a relentless attack on the protective frameworks built up by struggles over many decades. This attack has been carried out at home, with the support of Democrats as well as Republicans, and in the third world, with the help of civilian as well as military governments, pressed of course by the IMF, World Bank, WTO, and the governments and financial institutions of the great powers. The hypocrisy here is notable: Pollin points out that both the World Bank and IMF have recently acknowledged, while expressing surprise and disappointment, that global poverty has not declined with the growth and productivity advances of the 1990s. At the same time

they continue to promote policies that push peasants off the land and cut government expenditures that alleviate the distress.

A salutary feature of *Contours of Descent* is the dismantling of the widely-held belief that the Clinton administration, following 12 years of right-wing government, worked to alleviate the Marx, Keynes, and Polanyi problems. On each, the Clinton performance was abysmal. Unlike Reagan and the younger Bush, the Clinton administration did not openly attack the labor movement, it raised the minimum hourly wage from \$4.25 to \$5.15, (35 percent below its 1968 real value, although productivity was up some 80 percent), and made some improvements in NLRB performance and vetoed cuts in NLRB and OSHA funding. But Clinton failed to fight for his Striker Replacement Act and in this and other cases engaged in what Pollin calls "gesture politics." This is in contrast with his huge effort on behalf of NAFTA, which was bitterly opposed by the Democrats' labor constituency (and a vast majority of Democratic voters and legislators) and damaging to labor. Labor union membership continued its long numerical decline under Clinton.

As regards the Keynes problem, Clinton era prosperity was built on the deregulation of financial markets, increasing corporate profitability rooted in weakened labor bargaining power, speculation, and the spectacular stock market bubble that led to sharply increased upper-class consumption and an investment boom. Pollin notes that in 1996, Federal Reserve chair Alan Greenspan refused to intervene with his available powers (margin requirements) to contain the bubble, despite his recognition that it was based on speculation and was unsustainable. The bubble and its collapse was a perfect illustration of the continued salience of the Keynes problem, and the Clinton era perpetuation of the Reagan-initiated deregulation process (notably, the termination of the Glass-Steagall separation of commercial and investment banking) will undoubtedly contribute to macro-instability in future years.

As to the Polanyi problem, the Clinton years were notable for the passage of the 1996 Personal Responsibility Act, a major blow to social solidarity, ending a core federal protection of the poor harking back to the New Deal, and driving large numbers into the low-wage labor market. Under Clinton, poverty rates failed to decline despite the prosperity, worker insecurity remained high, and income inequality reached new heights. The prison population soared, another manifestation of a crumbling social structure, with poor people treated ruthlessly (and with conspicuous racist bias). At the same time the Clinton team regularly bailed out investors, as in the

Mexican and East Asian financial crises in 1994–1995 and 1997–1998, and the crash of the Long Term Capital Management hedge fund in 1998. With the small “peace dividend” and budget surplus that emerged in the late 1990s, Clinton used the money to reduce the national debt rather than spend it for pressing educational, infrastructure, welfare state, or other human needs—so much for the promise to “put people first.”

Pollin calls attention to the sorry failure of mainstream economics to recognize and criticize the Clinton-Greenspan bubble and its inequitable and unsustainable underpinnings. He quotes the last Clinton *Economic Report of the President* in which the Clinton economists laud both financial deregulation and executive stock options as efficiency enhancing forces, completely ignoring their bubble enhancing effects. He also cites Greenspan's important congressional testimony of July 1997, in which Greenspan explained that inflation was not rising despite the lowering unemployment rate because of “a heightened sense of job insecurity,” which he described elsewhere as the case of the “traumatized worker,” helpful in keeping wages down. Pollin shows that the mainstream economists were very slow to recognize greater job insecurity as a key factor altering the unemployment/inflation relationship—and when they did, it did not trouble them. Liberal economist Jane Yellen, coauthor with Alan Blinder of a book on the 1990s entitled *The Fabulous Decade*, told the Federal Reserve Open Market Committee in 1996 that while the labor market is tight, “job insecurity is alive and well...and the bargaining power of workers is surprisingly low.” Pollin notes that Yellen and Blinder didn't let this interfere with their conclusion that the 1990s were fabulous. Apparently these economists, like Clinton, don't feel pain as long as only workers suffer. They have quietly internalized what amounts to a mercantilist perspective in which the welfare of the workers, who are still the majority of the population, are not the ends of the economy but rather the means by which larger ends—growth in gross domestic product and national power, and expansion of market values—are accomplished.* This perspective also calls to mind the 1971 statement of Brazilian head-of-state General Emilio

* In his classic study of labor as a cost of production and means to higher ends under mercantilism, Edgar S. Furniss wrote: “Mercantilism teaches us that in working out a system of public policy based upon nationalistic purposes the dominant class will attempt to bind the burdens upon the shoulders of those groups whose political power is too slight to defend them from exploitation and will find justification for its policies in the plea of national necessity.” *The Position of the Laborer in a System of Nationalism* (Boston: Houghton Mifflin, 1920), p. 203.

Medici: "The economy is doing fine, but the people aren't." It is no coincidence that Medici led a dictatorial regime much prized by the U.S. political and economic leadership.

Pollin has an excellent analysis of the Bush economic program, featuring the first three big tax cuts, always offered as meeting some current problem like recession, but which "always had only one primary purpose, which was to deliver a sumptuous tax bonanza to the rich." Pollin shows in detail how the tax cuts were skewed, how their rationales never held water, and how they were ultimately at the expense of the middle class as well as the poorest citizens. They pushed burdens on to state and local governments that these could not fulfill, with increasingly harsh consequences for civil society. Pollin also stresses that there was a deliberate Bush design to use tax cuts to squeeze the civil functions of government by reducing government revenue and even producing deficits that "will generate new pressures for cuts in social spending, just as occurred during the Clinton years of eliminating 'big government.'"

Pollin discusses in detail the rise of deficits under Bush and the various arguments on the costs and benefits of deficit spending. He contends that deficits are good when incurred to combat recessionary conditions, although they must also be appraised in terms of what the deficit spending is used for. If used to fund wars of aggression and provide tax bonanzas for campaign donors and other top dogs, as Bush uses them, this is a gross misallocation of resources with ugly equity effects at home and abroad. Pollin raises the question of whether Bush can use the "war on terror" and the invasion and occupation of Iraq as a "big government" engine to drive the U.S. economy forward?" He answers that this is a terrible kind of engine, that wastes resources on a huge scale; that creates a great deal of business uncertainty; and that only clearly serves the interests of war contractors and the oil company beneficiaries of conquest.

Bush of course has exacerbated all the "problems" defined by Pollin. He has more openly attacked labor and the labor movement as a genuine class-war protagonist of the corporate community. He came into office as the financial abuses of the Clinton-deregulation-bubble era had become inescapably public, but with Bush in office very little reform was enacted to deal with the problems that surfaced in the wake of the numerous scandals. As Pollin says, Bush "is committed to minimizing the impact of Sarbanes-Oxley [an accounting reform law], the one major federal regulatory initiative that did result from the scandals." As for the Polanyi problem, Bush

has stepped up the attack on the welfare state and would obviously, like to gut the Social Security system if he can find a way to do this, piecemeal if necessary. He is pushing for more "free trade" moves that will further damage labor, and like Clinton he offers no social protection for worker casualties that are likely to ensue. With Bush social solidarity is verbal only; class war is real.

Pollin's long chapter, "The Landscape of Global Austerity," describes the disastrous shift in the third world from the pre-1980s "development" era to the hegemony of neoliberalism. In the earlier years, third world countries tried to develop on the basis of a state socialist planning model, or "import-substituting industrialization" (protecting and aiding infant industries), or via other ad hoc interventionary practices such as those used by the "Asian tigers" earlier and into the neoliberal era. Pollin explodes the myth that these tigers, and earlier the great powers themselves, relied on free trade to attain sustainable growth. But due to the debt trap and interventionary efforts of the great powers, the poor countries have been forced into the neoliberal trap and kept there.

Pollin shows that the performance of the third world countries in the neoliberal era has been poor in comparison with the earlier era of greater independence, state intervention, and "protectionism." Growth rates are down and income distribution has worsened (and the gaps between third world and Western powers have increased). He provides three case studies that show: how the neoliberal order systematically damages third world agriculture, with dire consequences ("Peasant Suicides in India"); how following neoliberal rules enforced by the IMF can lead to national disaster ("The Argentinian Economic Collapse"); and the limits of sweatshops as a constructive route for third world development ("Sweatshops and Global Manufacturing Production"). These case studies are rich with details that are beyond summarization. Pollin also discusses foreign aid, and shows that a return to growth rates of the pre-neoliberal era would benefit third world countries far more than any aid levels realized or even proposed.

Pollin's policy conclusions are modest and sketchy. As regards the United States, he would reverse all the elements in the neoliberal ascendancy that have exacerbated the Marx, Keynes, and Polanyi problems. He would like to see a strengthened labor movement, a new policy stress on job creation and high employment and less concern over the inflation threat, and a refurbished safety net that protects workers and families made jobless. He supports the "living wage" movement and would like to see it extended

more widely. He favors a rebuilding of a financial regulation system and the imposition of a stock market transaction tax (a Tobin tax) to contain speculation and bubbles. For the third world, he wants to see freedom from neoliberal controls, a new interventionism designed to stimulate growth and the building up of domestic markets, and greater access of third world countries to Western markets (made more palatable and consistent with worker welfare in the advanced countries by the installation there of a strong safety net).

These policy proposals are not radical—they address the exacerbation of the Marx, Keynes, and Polyani problems, without addressing these problems at their core, in capitalism—but at a time of savage political regression and the neoliberal paralysis of the “opposition” party, achieving these would be a spectacular reversal of neoliberalism. Whatever one’s reaction to these policy recommendations, the merits of *Contours of Descent* are clear and will be enlightening to all readers open to some kind of progressive social agenda.

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Commentary from _____
Monthly Review
April 2004, Vol.55, No.11

**Editors: HARRY MAGDOFF, JOHN BELLAMY FOSTER,
ROBERT W. McCHESNEY, PAUL M. SWEEZY (1910-2004),
LEO HUBERMAN (1903-1968)**

This is the fourth in a continuing series of special issues on the economy to which we have devoted the magazine each April since 2001. In the first of these, written shortly before the 2001 recession began, we took on the then prevalent myth of the “New Economy,” arguing that it was more myth than reality, and dispelling the notion that high tech and rising productivity gains had somehow tamed the business cycle. In April 2002 we dedicated the Review of the Month to examining the core economic contradictions of the system in terms of “Slow Growth, Excess Capital, and a Mountain of Debt.” Last April we asked the question, “What Recovery?” and focused on the fact that the recovery had failed to spread to employment, and on the whole problem of labor underutilization—inquiring into how the economy managed to keep going at all under these circumstances.

The present issue, like earlier April special issues, begins essentially where the previous one left off. In this issue it is notable that all three of the lead articles are focused in different ways on the problem of the jobless recovery. Three years after the recession began, employment in the U.S. economy is still well below its pre-recession level—something that has not occurred since the Great Depression when Herbert Hoover was president. Our almost exclusive emphasis on the jobs problem in this issue is a sign of just how central we think this is to an understanding of the long-term, structural crisis of the U.S. economy.

These four issues on the economy, written over as many years, thus constitute a set—and we hope they will be looked upon in that way. They represent a running commentary on the U.S. economy. But more than that, they are intended to provide a coherent and consistent analysis of the evolution of the capitalist economy and the development of its historic

contradictions. This analysis is to be judged by its strength in revealing the main economic trends. With this in mind, *MR* readers might find it helpful to read all four April special issues on the economy back to back ending with the present issue.

We believe that *Monthly Review* has been unique in emphasizing for more than half a century that *the real problem to explain in the capitalist economy is periods of rapid growth*, and not slow growth or stagnation, which should be seen as its normal tendency. Much of this argument is owed to Paul Sweezy, who wrote as early as 1942 in *The Theory of Capitalist Development*: "Stagnation of production, in the sense of less-than-capacity utilization of productive resources, is to be regarded as the normal state of affairs under capitalist conditions....If this view is adopted, the whole crisis problem appears in a new light. Emphasis shifts from the question: 'What brings on crisis and depression?' to its opposite: 'What brings on expansion?'" It is this whole altering of the question, as usually considered by economists, that more than anything else has guided *MR's* economic investigations over the years. Hence, we have long explored the specific factors, such as the financial explosion, military spending, and the sales effort, that have served to prop up the U.S. economy, which otherwise would have faltered completely, and the inherent contradictions associated with maintaining growth by such means. For those wishing a deeper understanding of this perspective and how it has treated the instability of the system since the 1960s we recommend Paul Baran and Paul Sweezy's *Monopoly Capital* (1966), and also the five collections of economic essays from *Monthly Review* written by Harry Magdoff and Paul Sweezy from the 1960s to the 1980s and cited in this issue's Review of the Month.

We refer you to these writings, some of which might now be considered quite old, not because they have or had all the answers—for historical materialists concerned with understanding changing conditions that is an impossibility not worth contemplating—but because they all raised in differing historical circumstances what we think has been and continues to be the fundamental question regarding the course of accumulation under monopoly capitalism: By what extraordinary means and with what ultimate social consequences is growth secured in an economic order in which stagnation has become the normal tendency? All the other large developments of capitalism in our era—such as financialization, globalization, and marketization—can only be understood, we believe, by relating them to this underlying question.

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the Doramba incident it was discovered, on the basis of the statements of the local residents and the physical evidences collected by the investigation team, that 18 Maoist activists and two civilians had been killed and the condition of one was still unknown... It was found that the dead persons killed at Dandakateri were all arrested in connection with a political meeting and, while marching them with their hands tied at their back, they were lined up on the track and shot dead. Except as described above, nothing came to the knowledge of the Committee about firing in any other way. It was believed that there had been no casualty on the side of the security forces."

Although the truth of the Doramba massacre was known as long ago as September, 2003, the Royal Nepalese Army stuck to its "confrontation" story even as human rights organisations and finally the United Nations Human Rights Commissioner demanded investigation into the RNA pattern of murders and faked "encounters".

On March 11, 2004 the army said it plans to court-martial in secret proceedings an unnamed Major. The officer was supposedly in command of the unit that killed the unarmed activists at Doramba, the event that terminated the cease-fire in August, 2003.

This will not do. The results of a secret inquiry by the U.S. advised Royal Nepalese Army are worth no more than the now admitted lies of their "human rights" unit. Atrocities initiated locally at a low level no doubt happen in all wars, and particularly in civil wars. But a mass murder that terminates a ceasefire and plunges a nation into a bloodbath is in another category. Only an inquiry by a neutral body would be deserving of any respect. And that inquiry needs the will and authority to obtain an answer to this question: how far up the chain of command, both in the RNA and in Washington D.C., was the mass murder in Doramba explicitly or implicitly authorised?

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(continued from inside front cover)

The Royal Nepalese Army asked Christine Rocca for more weapons, helicopters, surveillance equipment that would enable them to find and kill the revolutionary leadership, and the continuation of counter-insurgency training. The United States has so far provided the RNA with some 8,400 American M-16 automatic rifles, and high-tech night fighting equipment. Fifty U.S. special-forces trainers have been in Nepal to give a 12-week program of counter-insurgency training to a quarter of the entire army. Many officers of the RNA have been trained on bases in the United States.

At the start of March, 2004 high-ranking U.S. security officials again arrived in Nepal. The team, led by an unnamed General and by J. Cofer Black, Coordinator for the Office of Counter-terrorism of the U.S. State Department, flew to the Mid-Western Division Headquarters of the Royal Nepalese Army in Nepalgunj. In the spring of 2004 the command of the Royal Nepal Army reports not to a government elected by the people of Nepal, but answers to the unconstitutional palace regime imposed by the coup of October 2002 - and to the United States.

At the end of November, 2003, powerful U.S. Deputy Secretary of State Richard Armitage (who usually prefers to stay out of the news), formally announced that the leading armed revolutionary force in Nepal - the Communist Party of Nepal (Maoist) - "poses a significant risk of committing, acts of terrorism that threaten ... the national security, foreign policy, or economy of the United States".

To give some meaning to the word "terrorism" in the mouth of Mr. Armitage, let us consider how the truce came to an end.

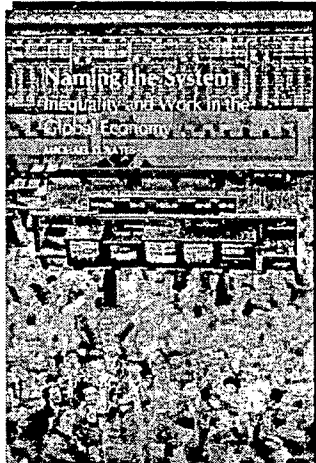
On August 17, 2003, with the truce in effect and at the very moment that constitutional negotiations were taking place between the revolutionary leadership and the royal government, twenty persons were killed by the Royal Nepalese Army in the village of Doramba in Ramechhap District in the eastern hills of Nepal. The RNA said the men had been killed in an "encounter". A special investigation panel formed by the army's "human rights" unit submitted a report saying a joint police and army patrol had to fire in self-defence. It also said the recovery of arms and ammunition from the spot indicated the deaths occurred during a "confrontation".

The truce ended, and accounts blaming the revolutionary leadership and repeating the army's story promptly appeared in the Indian and international press. But local reports of a massacre by the army resulted in an investigation by an independent commission led by former Supreme Court of Nepal Justice Krishna Jung Rayamajhi.

The commission found 18 bodies buried together: "Of the dead bodies, five were females and the remaining 13 were males. All the dead persons were wearing ordinary dresses of various types and were covered with white clothes on the top of which there had been spread a flag of red cloth marked with sickle and hammer. All the dead bodies were stinking with foul smell caused by decomposition. The injuries on the dead bodies resembled those caused by rifle firearms...It was discovered that the bullets had hit from the front side in 10 out of 18 dead bodies whereas in the case of others the bullet had hit from other sides... In course of investigation of

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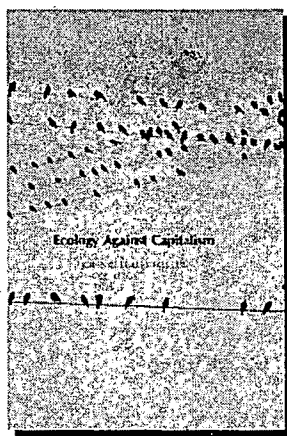
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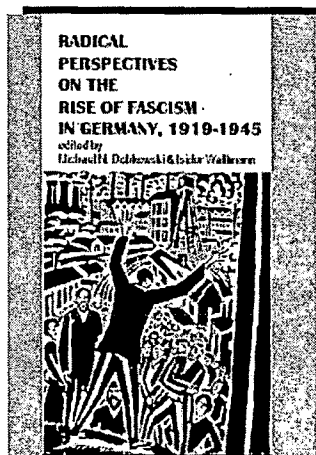
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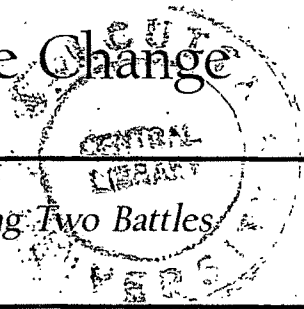
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Editorial

The principle activities of fascism are conducted in the extra-parliamentary arena and do not look for sanction in a bourgeois constitution. It is essentially an extra-parliamentary, extra-constitutional phenomenon and its path of development is mainly extra-parliamentary, extra-constitutional. That is why fascism is fascism—not just a bourgeois rule. Fascism came to power in Italy and Germany through a combination of street violence, deep infiltration into the police, bureaucracy and army, and with the connivance of ‘centrist’ political leaders. And BJP and Sangha Parivar’s fascism is also moving along this path. The armed squads of RSS, VHP and Bajrang Dal etc., intoxicated with the ideology of militant Hinduism and taught to kill, are formed and being developed in ways that can never be sanctioned by the present Indian or for that matter any bourgeois constitution. Babri Masjid was not demolished in a constitutional way. RSS, Bajrang Dal and Narendra Modi sought no constitutional or legal sanction while carrying out a genocidal pogrom in Gujarat.

The burning of the Reichstag in Germany on 27th February, 1933, was a conspiratorial act used as a pretext to suspend constitutional restraints on Nazi violence. In the weeks that followed communist militants above all were ‘disappeared’, tortured and murdered. The elections that followed in a general atmosphere of fear resulted in a Nazi victory. The burning of Sabarmati Express in Godhra, the nightmare of Sangha Parivar violence that followed, and the subsequent BJP electoral victory in Gujarat followed a similar script. And Pravin Togadia-s continue to openly threaten that they will convert the whole of India into Gujarat. While the constituents of Sangha Parivar are openly carrying on their principle activities in the extra-parliamentary arena and showing scant respect towards constitutional legality, one needs to ask the question whether the fascist

(continued on inside back cover)

The Pentagon and Climate Change

THE EDITORS OF MONTHLY REVIEW

Climate Collapse: The Pentagon's Weather Nightmare

—*Fortune*, February 9, 2004

Now the Pentagon Tells Bush: Climate Change Will Destroy Us

—*Observer* (London), February 22, 2004

Pentagon-Sponsored Climate Report Sparks Hullabaloo in Europe

—*San Francisco Chronicle*, February 25, 2004

The Sky is Falling! Say Hollywood and, Yes, the Pentagon

—*New York Times*, February 29, 2004

Abrupt climate change has been a growing topic of concern for about a decade for climate scientists, who fear that global warming could shut down the ocean conveyor that warms the North Atlantic, plunging Europe and parts of North America into Siberian-like conditions within a few decades or even years. But it was only with the recent appearance of a Pentagon report on the possible social effects—in terms of instability and war—of abrupt climate change that it riveted public attention. As the *Observer* (February 22) put it, “Climate change over the next 20 years could result in global catastrophe costing millions of lives in wars and natural disasters.”

Indeed, widespread public alarm, particularly in Europe, was the predictable response to the Pentagon's October 2003 report, *An Abrupt Climate Change Scenario and its Implications for United States National Security*, once it became available early this year.¹ In an attempt to quiet these fears Defense Department officials and the authors of the report quickly came forward to say that the entire exercise was speculative and “intentionally extreme”; that the whole thing had been misconstrued and overblown in certain press accounts.

Was this then simply a “hullabaloo” about nothing, as the *San Francisco Chronicle* suggested, or are there dangers associated with global warming that have not been sufficiently appreciated thus far? To answer this question it is necessary to approach the issue in stages, by first addressing global warming, then abrupt climate

change and its inherent social dangers, and finally how the present system of production constitutes a barrier to any ready solution.

Global Warming: How Bad Is It?

A natural greenhouse effect is crucial to the earth's atmosphere. As carbon dioxide, methane, and other greenhouse gases accumulate in the atmosphere they trap heat that would otherwise radiate off into space. This natural greenhouse effect along with proximity to the sun serves to warm the earth making it habitable to diverse species. But now, as a result of enhanced greenhouse gas emissions from human production, most notably the burning of fossil fuels, this same life-supporting greenhouse effect is pushing average global temperatures higher and higher. Carbon dioxide concentration in the atmosphere is now at its highest point in the last 420,000 years and likely in the last 20 million years. Rising sea levels, heat waves, crop failures, worsening floods and droughts, and more extreme weather conditions in general are all to be expected as a result of such increases in average global temperature.

Some of the warming to be experienced in coming decades is already locked-in. Greenhouse gases have atmospheric lifetimes of decades to centuries. Even if societies were to cease fossil fuel use and end all other forms of greenhouse gas emissions today the accumulation of such gases in the atmosphere would likely generate further warming on the order of 0.5°C (0.9°F) during this century. While if we do nothing to limit such emissions global average surface temperature could conceivably rise as much as 5.8°C (10.4°F) between 1990 and 2100, exceeding the change in average temperature separating us from the last ice age. Few informed analysts now expect the increase in average global temperature from 1990-2100 to be kept below a 2°C (3.6°F) increase, even with the most concerted social action over the next couple of decades. The main fear at present is that the rise in global temperature will be two or three times as large if human society is unable to act decisively.²

Global warming is expected to be a growing factor in coming decades in species extinction, the rate of which at present is higher than at any time since the disappearance of the dinosaurs 65 million years ago. In mountainous regions all around the earth plant and animal species are ascending higher and higher as warming occurs. But mountains only reach so far. Consequently, the species occupying the topmost ecological niches are now in the process of ascending "to heaven."³ We do not know how many other species will share this fate during this century. But we do know that the earth's species in general will be massively affected, that biological diversity will continue to decrease, and that if we do nothing and

average global temperatures rise to the upper levels that leading climate scientists think possible by the year 2100 it could prove catastrophic, seriously threatening ecosystems and destabilizing human society.

Still, the ruling economic and political interests and their attendant elites tell us not to be worried. Never mind the threats to other species. Human society, we are frequently told, is different. It can evolve rapidly by economic and technological means and thus adapt to global warming, which from its standpoint can be viewed as slow, "gradual" change. What is often projected for global society then is increased discomfort rather than massive social upheaval and dislocation. Orthodox economists generally caution that we should do nothing that might limit economic growth. Instead they see the only answer as lying in a bigger economy, which will give us more means of addressing future contingencies.

Abrupt Climate Change

Nevertheless, there is every reason to believe that placing so much faith in economic growth and technological change as answers to global warming is short-sighted and naive. Considerable uncertainty exists as to how far human society can actually support such "gradual" climate change—since human beings are themselves part of nature and dependent on the world around them in manifold ways. But the problem does not stop there. Scientists are now raising the even more alarming question of abrupt climate change, i.e., climate change of a scale and suddenness—shifting dramatically in years rather than decades or centuries—that would definitely have catastrophic effects for human society.

Abrupt climate change is usually seen as change arising from gradual causes that lead to the crossing of a threshold, triggering a sudden shift to a new state—with the shift determined by the climate system itself and occurring at a rate much faster than the initial cause.⁴ Such shifts have occurred numerous times in history, one of the clearest being the abrupt cooling of the Younger Dryas (named after an arctic wildflower that thrived in the climate of the time), which began 12,700 years ago and lasted 1,300 years, interrupting the warming associated with the end of the last ice age. A lesser instance of abrupt climate change occurred 8,200 years ago and lasted around a century. In the worst of all current, plausible scenarios, such "abrupt climate change" could occur sometime over the next couple of decades—though this is still seen by scientists as highly unlikely.

Abrupt climate change is believed to result from disruption of the thermohaline circulation, a global ocean conveyor that moves

warm, saline tropical waters northward in the Atlantic with the Gulf Stream as its northern arm, and then loops south. ("Thermohaline" comes from the Greek words for heat "thermos" and for salt "halos.") The heat from this warmer water, when it reaches the North Atlantic, is released into the atmosphere, creating milder winters than would otherwise exist at those latitudes, and allowing the dense surface waters to cool and sink. This draws additional warmer, saline water from the south, helping to keep the conveyor going. Differences in the density of ocean waters associated with the saline content thus drive this ocean conveyor. Abrupt climate change arises from a lessening or collapse of the thermohaline circulation due to increased river runoff, melting ice, and changes in precipitation—all of which serve to increase the amount of freshwater supplied to the North Atlantic. As the salinity of the ocean waters decreases a dramatic lessening or complete collapse of the North Atlantic conveyor circulation can occur. The current global warming is seen as potentially triggering this effect. According to the UN Intergovernmental Panel on Climate Change (IPCC), in *Climate Change 2001*, "beyond 2100, the thermohaline circulation could completely, and possibly irreversibly, shut-down in either hemisphere" if global warming is "large enough and applied long enough" (p. 16).

Two basic scenarios are worth considering. (1) If the ocean conveyor slows down or collapses during the next two decades it could cool the North Atlantic region by as much as 5°C (9°F), creating winters of much greater severity. (2) If, however, the conveyor slows down in a century the drop in temperature in the North Atlantic could temporarily compensate for the rise in surface temperature associated with the enhanced greenhouse effect—though once the thermohaline circulation recovered the "deferred" warming could be delivered within a decade. The second of these two scenarios is viewed as much more likely. Yet, recent scientific studies, including a major report in 2002 by the National Academy of Sciences, have stressed that the thermohaline circulation could possibly "decrease...very fast,"—resulting in a sudden switch of climate early this century that although still thought unlikely cannot be ruled out altogether. Seeming to confirm these fears, a report in *Nature* in 2002 concluded that the North Atlantic has been freshening dramatically for 40 years; while a report a year earlier suggested that the ocean conveyor may already be slowing down.⁵

Faced with the uncertain hazards of such a "low probability, high impact" event, scientists associated with the National Academy of Sciences study recommended that society take what steps it could, if not too costly, to protect itself against such an extreme outcome.

"If a shutdown were to happen soon," Richard Alley, who chaired the scientific team releasing the National Academy of Sciences study, observed in *The Two-Mile Time Machine*, "it could produce a large event, perhaps almost as large as the Younger Dryas, dropping northern temperatures and spreading droughts far larger than the changes that have affected humans through recorded history, and perhaps speeding warming in the far south. The end of humanity? No. An uncomfortable time for humanity? Yes."⁶

These assessments and recommendations on abrupt climate change were offered with so much caution by climate scientists that they might easily have been ignored altogether by a society that in its upper echelons is devoted to the accumulation of capital and little else. That this did not happen is due to the fact that the issue was taken up and dramatized in the Pentagon report.

The Pentagon Elevates the Threat

The story behind the Pentagon report on abrupt climate change is almost as remarkable as the contents of the report itself. The National Academy study of this issue crossed the desk of Andrew Marshall, director of the Pentagon's Office of Net Assessment. Marshall, who has worked for every secretary of defense since James Schlesinger in the 1970s, is a legendary "wise man," known as "Yoda," at the Pentagon. When they need someone to think about big things, the Department of Defense turns to Marshall. His most famous achievement was the promotion of missile defense. It was Marshall who authorized the \$100,000 grant for Peter Schwartz and Doug Randall of the Global Business Network to analyze abrupt climate change for the Pentagon. The intent was obviously to have economic futurologists visualize the possible effects of such abrupt climate change, since they would be in the best position to speculate on the economic and social fallout of such a catastrophic development, and thus upgrade it to a major Pentagon concern.

Schwartz was a surprising choice for such a task since he was best known previously for his book *The Long Boom* (1999). In the 1990s he was a contributing writer to *Wired* magazine. Together with Peter Leyden, a senior editor of the magazine, and Joe Hyatt of the Stanford University Business School he got caught up in the idea that the New Economy, rooted in today's digital high technology, pointed to a long economic boom stretching from 1980 to at least 2020. During this time the economy would, they argued in the book, simply "grow more" based on the New Economy model pioneered by the United States, with global growth of "possibly even 6 percent" (p. 266). Their first version of this thesis in their *Wired* article on the long boom came out in July 1997 and created a

stir. The article together with the book that followed two years later, constituted the most extreme version of the great millennial celebration. According to Schwartz and his coauthors, who grossly misunderstood the main economic tendencies of the time, the U.S. economy was rocketing throughout the 1990s and was likely to accelerate further in the 2000s. All such New Economy mythology was put to an end, however, by the bursting of the speculative bubble and the dramatic stock market decline of 2000, followed by recession in 2001 and slow growth and employment stagnation ever since. Nevertheless, it was to Schwartz, the failed prophet of a long New Economy boom, to whom Marshall turned to dramatize the consequences of abrupt climate change.⁷

An Abrupt Climate Change Scenario and its Implications for United States National Security by Peter Schwartz and Doug Randall begins by challenging the way in which climate change is usually approached:

When most people think about climate change, they imagine gradual increases in temperature and only marginal changes in other climatic conditions, continuing indefinitely or even leveling off at some time in the future. The conventional wisdom is that modern civilization will either adapt to whatever weather conditions we face and that the pace of climate change will not overwhelm the adaptive capacity of society, or that our efforts such as those embodied in the Kyoto protocol will be sufficient to mitigate the impacts. The IPCC documents the threat of gradual climate change and its impact to food supplies and other resources of importance to humans will not be so severe as to create security threats. Optimists assert that the benefits from technological innovation will be able to outpace the negative effects of climate change.

Climatically, the gradual view of the future assumes that agriculture will continue to thrive and growing seasons will lengthen. Northern Europe, Russia, and North America will prosper agriculturally while southern Europe, Africa, and Central and South America will suffer from increased dryness, heat, water shortages, and reduced production. Overall, global food production under many typical climate scenarios increases (p. 4).

Schwartz and Randall argue against such complacent views of global warming, insisting that they do not take sufficient account of the discontinuities that may arise as warming causes various thresholds to be crossed. More frequent droughts, for example, could have disastrous and cumulative effects. Still, the worst effects from such gradual warming are seen as applying mainly to the poorer countries of the global South rather than the richer countries of the global North—the main source of carbon dioxide emissions.

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All of this encourages a do-nothing or do-little attitude in the northern centers of world power.

Abrupt climate change alters this picture dramatically. Such change would create catastrophic conditions for human society; and rather than falling first and foremost on the global South the direct effects of a shutdown of the thermohaline conveyor would bear down on the global North—specifically those countries bordering the North Atlantic. Schwartz and Randall are clear that they are not actually predicting such abrupt climate change in the near future (though it is certain to occur in the long-term future). Rather, they offer a “plausible” if unlikely scenario “for which there is reasonable evidence” so as to “explore potential implications for United States national security” (p. 5). They model their scenario on the event of 8,200 years ago rather than on the much worse Younger Dryas. In their scenario a “thermohaline circulation collapse” causes a drop in average surface temperature in northern Europe of up to 3.3°C (6°F) along with severe temperature drops throughout the North Atlantic, lasting about a century. Colder temperatures, wind and dryness in the global North are accompanied by increased warmth and drought in much of the rest of the world.

The picture they paint is one of agricultural decline and extreme weather conditions, stretching energy resources, throughout the globe. Relatively well-off populations with ample natural resources and food producing capabilities, such as the United States and Australia, are seen as building “defensive fortresses” around themselves to keep massive waves of would-be immigrants out, while much of the world gyrates toward war. “Violence and disruption stemming from the stresses created by abrupt changes in the climate pose a different type of threat to national security than we are accustomed to today. Military confrontation may be triggered by a desperate need for natural resources such as energy, food and water rather than by conflicts over ideology, religion, or national honor. The shifting motivation for confrontation would alter which countries are most vulnerable and the existing warning signs for security threats” (p. 14). As the world’s carrying capacity declines under harsh climatic conditions, warfare becomes widespread—producing increased dangers of thermonuclear war.

For Schwartz and Randall the lesson is clear. Human society must “prepare for the inevitable effects of abrupt climate change—which will likely come [the only question is when] regardless of human activity” (p. 21). If the scenario that they depict is actually in the cards, it is already too late to do anything to stop it. What can be done under these circumstances is to make sure that the necessary security measures are in place to stave off the most

disastrous consequences resulting from social instability. Since this is a report commissioned by the Pentagon, the emphasis is on how to "create vulnerability metrics" to determine which countries are likely to be hit the hardest ecologically, economically, and socially and thus will be propelled in the direction of war. Such information will make it possible for the United States to act in its own security interest. The narrow objective is thus to safeguard fortress America at all cost.

Although the ecological repercussions are supposed to hit the global North the hardest, the scenario provided by the Pentagon report with respect to instability and war follows conventional ideological paths, focusing mostly on the global South. The possibility that the United States itself might in such circumstances attempt to seize world oil supplies and other natural resources is not raised by the report. The U.S. response is depicted as entirely defensive, mainly concerned with holding off unwelcome waves of would-be immigrants, and trying to create an atmosphere of peace and stability in the world under much harsher global conditions.

Given the contents of this report it is not surprising that it initially generated dismay and widespread fears when it was made public in February. At that point the Pentagon quickly stepped in to quiet the alarm that the report had set off. Marshall himself released a statement that the Pentagon study "reflects the limits of scientific models and information when it comes to predicting the effects of abrupt global warming." Although backed up by "significant scientific evidence...much of what this study predicts," Marshall indicated, "is still speculation." Pentagon officials meanwhile declared that the abrupt climate change report, although commissioned by their legendary "Yoda," had not been passed on to Marshall's superiors in the Defense Department and the Bush administration (*San Francisco Chronicle*, February 25, 2004; *New York Times*, February 29, 2004).

Yet the real importance of *An Abrupt Climate Change Scenario* does not lie in its impact on the top brass in the Pentagon much less their environmentally-challenged superiors in the White House. Instead, its historical significance derives from the more general contention made at the beginning of the report that "because of the potentially dire consequences, the risk of abrupt climate change, although uncertain and quite possibly small, should be elevated beyond a scientific debate to a U.S. national security concern" (p. 3). It is a small step from this view to one that insists that the nature of the threat demands that we begin to consider other, radical social alternatives to business as usual, which must be elevated to the forefront of public discussions.

Accelerated Climate Change

Here it is crucial to recognize that abrupt climate change as currently modeled by scientists, though the most dramatic, is not the only nongradual outcome possible as a result of global warming. Scientists are even more concerned at present about the potential for positive feedbacks that will greatly amplify global warming, increasing the rate of its advance and the speed with which it crosses various ecological thresholds. According to the IPCC in *Climate Change 2001*, "As the CO₂ concentration of the atmosphere increases, ocean and land will take up a decreasing fraction of anthropogenic CO₂ emissions. The net effect of land and ocean climate feedbacks as indicated by models is to further increase projected atmospheric CO₂ concentrations, by reducing both the ocean and land uptake of CO₂" (p. 12). The hydrological cycle (evaporation, precipitation, and runoff) could accelerate as a result of global warming, driving temperatures higher faster. Water vapor, the most potent natural greenhouse gas, could trap additional heat increasing the rate at which average surface temperatures rise. The melting of highly reflective ice and snow could result in further absorption of sunlight, leading to additional global warming. The capacity of both forests and oceans to absorb carbon dioxide could decrease, creating a positive feedback loop that accelerates climate change. All of this is taken into account to some extent in the IPCC reports. But given the level of uncertainty the possibility of surprising developments under these circumstances is very great.

The grim reality is that the more threatening scenarios with respect to global warming are becoming increasingly plausible as the data keeps coming in. Carbon dioxide levels in the atmosphere increased at an accelerated level over the past year. The increase of 3 parts per million was well above the 1.8 parts per million annual increase on average over the past decade, and three times the year-to-year increase experienced half a century ago. Although it is too soon to be sure if this means anything or not (it may reflect mere annual variance), this kind of evidence is leading scientists to worry that positive feedbacks may already be at work, serving to accelerate the whole problem (*New York Times*, March 21, 2004).

Capitalism and Carbon Dioxide

Both the capitalist economy and the world climate represent complex, dynamic systems. The uncertainty with respect to climate change and its economic effects has to do with the interaction of these two complex systems. To make matters worse, both the climate system and the human economy are subsets of the biosphere

and are inseparably interconnected in extremely complex ways with innumerable other biogeochemical processes. Many of these other biospheric processes are also being transformed by human action.

It is not uncommon for analyses of climate change to assume that the world economy is essentially healthy except for disturbances that could result from the climate. This, however, is in error and underestimates the economic vulnerability of populations and whole societies. As indicated only a few months ago in this space, at present "half the world's population lives on less than two dollars per day, with most of those either chronically malnourished or continually concerned with where their next meal will come from. Many have no access to clean water (1 billion), electricity (2 billion), or sanitation (2.5 billion)" (Fred Magdoff, "A Precarious Existence," *Monthly Review*, February 2004). Economic growth is slowing in ways that have deepened the economic crisis for human populations. At the same time, "nature's economy" is also in trouble, viewed in terms of the diversity of life on the planet. Economic and ecological vulnerabilities are everywhere.

For the Pentagon, the answer to all of these dangers would seem to be straightforward: arm to the teeth, prepare for greater threats than ever from thermonuclear war, and build an impregnable wall around the United States, closing the global masses out. All of this is depicted by Schwartz and Randall. Yet a more rational response to potential high-impact climate events would be to seek to reorganize society, and to move away from imperatives of accumulation, exploitation, and degradation of the natural environment—the "after me the deluge" philosophy—that lies at the base of most of our global problems.

The truth is that addressing the global warming threat to any appreciable degree would require at the very least a chipping away at the base of the system. The scientific consensus on global warming suggests that what is needed is a 60–80 percent reduction in greenhouse gas emissions below 1990 levels in the next few decades in order to avoid catastrophic environmental effects by the end of this century—if not sooner. The threatening nature of such reductions for capitalist economies is apparent in the rather hopeless state at present of the Kyoto Protocol, which required the rich industrial countries to reduce their greenhouse gas emissions by an average of 5.2 percent below 1990 levels by 2008–2012. The United States, which had steadily increased its carbon dioxide emissions since 1990 despite its repeated promises to limit its emissions, pulled out of the Kyoto Protocol in 2001 on the grounds that it was too costly. Yet, the Kyoto Protocol was never meant to be anything but the first, small, in itself totally inadequate step to curtail

emissions. The really big cuts were to follow.

Even if the Kyoto Protocol were to be enacted (its future right now is uncertain and depends largely on whether Russia decides to go along with the climate treaty) this would only open the door to bigger questions: Will the rich countries of the global North agree to cut their carbon emissions to the extent required? How can the poorer countries of the global South be brought into the climate accord? There would be little opportunity for most of these poor countries—still the victims of imperialism—to develop economically if they were forced to cut back sharply in their average level of per capita greenhouse gas emissions at this point. Since the atmosphere cannot support increasing levels of carbon dioxide and most of its capacity to do so without high levels of global warming has already been taken up by the rich countries of the center, countries in the periphery are likely to be severely constrained in their use of fossil fuels unless the countries in the center drastically reduce their levels of emissions—on the order of 80–90 percent.

Third world countries insist that the North has an ecological debt to the South, arising from a history of ecological imperialism, and that the only way to redress this and to create a just and sustainable climate regime is to base any solution on per capita emissions. Such a position is rooted in the recognition that the United States, to take the most notorious example, emits 5.6 metric tons of carbon dioxide per person per year,⁸ while the whole rest of the world outside of the G-7 countries (the United States, Canada, Germany, Britain, Japan, Italy and France) releases only 0.7 tons of carbon dioxide per person annually on average.⁹ Inequality of this kind is a major barrier to a smooth climate transition and means that the necessary change must be revolutionary in nature. The only just and sustainable climate regime will be one in which there is a *contraction* of per capita carbon dioxide emissions to levels that are globally sustainable, together with a *convergence* of rich and poor countries around these low, globally sustainable emissions levels. Such safe per capita emissions levels would be less than a tenth of what the North currently emits per capita. One estimate claims that “based on the 1990 target for climate stabilization, everyone in the world would have a per capita allowance of carbon of around 0.4 tonnes, per year.”¹⁰

Obviously, equalization of per capita emissions at low levels for all countries is not something that the United States and the other nations at the center of the system will readily accept. Yet third world countries that desperately need development cannot be expected to give up the right to equality in per capita emissions. Any attempt to impose the main burdens for global warming on

underdeveloped countries in accordance with past imperialistic practices will thus inevitably fail. To the extent that the United States and other advanced capitalist nations promote such a strategy they will only push the world into a state of barbarism, while catastrophically undermining the human relation to the biosphere.

Easter Island and the Earth

For environmentalists the destruction of the ecology and civilization of Easter Island around 1400-1600 A.D. has long been both a mystery and metaphor for our times. We now know that the giant stone statues, the erection of which resulted in the destruction of the island's forests and with them a whole ecology and civilization, were the main symbols of the power and prestige of competing chiefs and their clans. As Jared Diamond explains: "A chief's status depended on his statues: any chief who failed to cut trees to transport and erect statues would have found himself out of a job."¹¹ Due to such a narrow acquisitive logic—an early treadmill of production analogous to our own—the Easter Islanders drove their ecology and society to the point of extinction.

Are we headed for a similar disaster today—only on a planetary scale? To quote Diamond again:

Thanks to globalization, international trade, jet planes, and the Internet, all countries on Earth today share resources and affect each other, just as did Easter's eleven clans. Polynesian Easter Island was as isolated in the Pacific Ocean as the Earth is today in space. When the Easter Islanders got into difficulties, there was nowhere to which they could flee, or to which they could turn for help; nor shall we modern Earthlings have recourse elsewhere if our troubles increase. Those are the reasons why people see the collapse of Easter Island society as a metaphor, a worst-case scenario, for what may lie ahead in our own future.

Easter Island society got into trouble because of a class system. With its island world increasingly under ecological strain, the chiefs and priests were overthrown by military leaders and the society descended into the barbarism of civil war and then declined completely. Here too is a lesson for our time: we need to confront the class system and reorganize society in line with the needs of all of its inhabitants before barbarism descends upon us.

The Pentagon report itself takes on a different meaning here. It depicted abrupt climate change and a descent into internecine war. It was "intentionally extreme." But as the fate of Easter Island suggests, it may not have been extreme enough.

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Notes

1. Available at www.ems.org.
2. Thomas R. Karl & Kevin E. Trenberth, "Modern Global Climate Change," *Science* 302, p. 1721; Intergovernmental Panel on Climate Change, *Climate Change 2001* (Cambridge: Cambridge University Press, 2001), pp. 7, 13; Tom Athanasiou & Paul Baer, *Dead Heat* (New York: Seven Stories, 2002), pp. 43–47.
3. "All Downhill from Here?," *Science* 303 (March 12, 2004).
4. National Research Council, *Abrupt Climate Change: Inevitable Surprises* (Washington, D.C.: National Academy Press, 2002) p. 14.
5. Robert B. Gagosian, "Abrupt Climate Change: Should We Be Worried?," World Economic Forum, Davos, Switzerland, January 27, 2003, <http://www.who.edu>; National Research Council, *Abrupt Climate Change*, pp. 115–16B. Dickson, et. al., "Rapid Freshening in the Deep Atlantic Ocean Over the Past Four Decades," *Nature*, 416 (April 25, 2002); B. Hansen, et. al., "Decreasing Overflow from the Nordic Seas into the Atlantic Ocean Through the Faroe Bank Channel Since 1950," *Nature*, 411 (June 21, 2001).
6. Richard B. Alley, *The Two-Mile Time Machine* (Princeton: Princeton University Press, 2000), p. 184.
7. There were no doubt rational motives to assigning the task of writing such a report to Schwartz, who had shown that he had all the necessary dramatic skills of the professional futurologist. Given his past history, and his absolute faith in the system, he could not be viewed as a prophet of doom and gloom or as an enemy of business. Further, a paragraph of *The Long Boom* (p. 153) had actually pointed to the possibility of a shutdown of the thermohaline circulation and the coming of a "another Ice Age"—though this was introduced in a generally pollyannaish view of the ecological crisis in which the "long boom" itself provided all the answers.
8. Measured in carbon units.
9. John Bellamy Foster, *Ecology Against Capitalism* (New York: Monthly Review Press, 2002), p. 18; John Bellamy Foster and Brett Clark, "Ecological Imperialism: The Curse of Capitalism," in Leo Panitch and Colin Leys, ed., *The Socialist Register 2004* (New York: Monthly Review Press, 2004), pp. 186–201.
10. Andrew Sims, Aubrey Meyer, and Nick Robbins, *Who Owes Who?: Climate Change, Debt, Equity and Survival* <http://www.jubilee2000uk.org>; Athanasiou and Baer, *Dead Heat*, pp. 63–97.
11. Jared Diamond, "Twilight at Easter," *New York Review of Books*, March 25, 2004, pp. 6–10.

Ideology and Economic Development

MICHAEL A. LEBOWITZ

Economic theory is not neutral, and the results when it is applied owe much to the implicit and explicit assumptions embedded in a particular theory. That such assumptions reflect specific ideologies is most obvious in the case of the neoclassical economics that underlies neoliberal economic policies.

The Magic of Neoclassical Economics

Neoclassical economics begins with the premises of private property and self-interest. Whatever the structure and distribution of property rights, it assumes the right of owners—whether as owners of land, means of production or the capacity to perform labor—to follow their self-interest. In short, neither the interests of the community as such nor the development of human potential are the subject matter of neoclassical economics; its focus, rather, is upon the effects of decisions made by individuals with respect to their property.

Logically, then, the basic unit of analysis for this theory is the individual. This individual (whether a consumer, employer or worker) is assumed to be a rational computer, an automaton mechanically maximizing its benefit on the basis of given data. Change the data and this “lightning calculator of pleasures and pains” (in the words of the American economist Thorstein Veblen) quickly selects a new optimum position.¹

Raise the price of a commodity, and the computer as consumer chooses less of it. Raise the wage; and the computer as capitalist chooses to substitute machinery for workers. Raise unemployment or welfare benefits, and the computer as worker chooses to stop working or to remain unemployed longer. Increase taxes on profits,

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and the computer as capitalist chooses to invest elsewhere. In every case, the question asked is, how will that individual, the rational calculator of pleasure and pain, react to a change in the data? And, the answer is always self-evident—avoid pain, seek pleasure. Also self-evident are the inferences to be drawn from this simple theory—if you want to have less unemployment, you should lower wages, reduce unemployment and welfare benefits, and cut taxes on capital.

But, how does this theory move from its basic unit of the isolated, atomistic computer to draw inferences for society as a whole? The essential proposition of the theory is that the whole is the sum of the individual isolated parts. So, if we know how individuals respond to various stimuli, we know how the society composed of those individuals will respond. (In the words of Margaret Thatcher, there is no such thing as society—just individuals.) What is true for the individual is true for the economy as a whole. Further, since each economy can be considered as an individual—one who can compete and prosper internationally by driving down wages, intensifying work, removing social benefits that reduce the intensity of job searches, lowering the costs of government, and cutting taxes—it therefore follows that all economies can, too.

To move from the individual to the whole in this manner, though, involves a basic assumption. After all, those individual atomistic computers may work at cross-purposes; the result of individual rationality may be collective irrationality. Why isn't *that* the conclusion of neoclassical economics? Because *faith* bars that path—the belief that when those automatons are moved in one direction or another by the change in given data, they necessarily find the most efficient solution for all. In its early versions the religious aspect was quite explicit—that instantaneous calculator of individual pleasure and pain was understood to be “led by an invisible hand to promote an end which was no part of his intention.”² For Adam Smith it was clear whose hand that was—Nature, Providence, God—just as his physiocratic contemporary, Francois Quesnay, knew that “the Supreme Being” was the source of this “principle of economic harmony,” this “magic” being such that “each man works for others, while believing that he is working for himself.”³

But the Supreme Being is no longer acknowledged as the author of this magic. In his place stands the Market, whose commandments all must follow or face its wrath. The unfettered market, we are told, ensures that everyone benefits from a free exchange (or it would not occur) and that those trades chosen by rational

individuals (from all possible exchanges) will produce the best possible outcomes. Accordingly, it follows that interference with the perfect market by the state must produce disaster—a negative-sum result in which the losses exceed the gains. So, the answer for all right-thinking people must be, remove these interferences. In John Kenneth Galbraith's well-chosen words, the position of the fundamentalist preachers is that in a state of bliss, there is no need for a Ministry of Bliss.⁴

And, if force and compulsion are necessary to bring about that world of bliss (i.e., to make the world conform to the theory), this will simply be "short term pain for long-term gain." As Friedrich von Hayek explained in an interview for Chile's *El Mercurio* (April 12, 1981), dictatorship "may be a necessary system for a transition period. At times it is necessary for a country that there is some form of dictatorial power." When you have the invisible hand on your side, destroying obstacles to the market is just helping Nature (in Adam Smith's words) to remedy the "bad effects of the folly and injustice of man."⁵

So, remove all restrictions on the movement of capital, remove all laws that strengthen workers, consumers, and citizens against capital, and reduce the power of the state to check capital (while increasing the power of the state to police *on behalf of* capital). In the end, the simple message of neoclassical economics (and the neoliberal policy it supports) is, Let capital be free!

Of course, it can be said (and, indeed, *was* said by Joseph Stiglitz at these meetings two years ago) that nobody believes this simple message anymore. After all, economists have demonstrated the very strict (and impossible) conditions necessary for this theory to be logically supportable, have exposed the simplistic theory of information it contains, and have revealed the many cases of "market failure" that call for an ameliorating role for government. Not the least of these common critiques stresses the interdependencies and externalities that are minimized by neoclassical theorists and which often lead them to commit fallacies of composition (the assumption that what is true for one is necessarily true for all). And, yet, as the close fit between the simple neoclassical model and neoliberal policies demonstrates, all these sophisticated partial critiques of the simple message don't count for very much; in fact, that message (even if "defunct") continues to be believed, and it functions as a weapon to be used on behalf of capital.

The Keynesian Alternative

The only successful challenge from within this basic model focused on the problem of the fallacy of composition and,

accordingly, the need to consider the importance of the whole. Rejecting the familiar neoclassical argument offered during the Great Depression of the 1930s that generalized wage cuts would lead to rising employment, Keynes stressed the interdependence of wages, consumption spending, aggregate demand and thus the general level of output and employment. (The neoclassical movement from the part to the whole in this case, he held, depended upon the assumption that aggregate demand was constant—i.e., unaffected by wage cuts.) What neoclassical theory had ignored was the link between individual decisions and the whole. Since it did not understand how the interaction of individual capitals could produce a state of low investment by those capitals, it failed to recognize the potential role of government in remedying this particular market failure.

With his emphasis upon the whole or macro picture, Keynes's theoretical perspective provided support for a set of policies less directly based upon the immediate interests of individual capitals. Keynes himself advanced his arguments as critical to the interests of capital as a whole—the crisis of the 1930s for him was simply a crisis of “intelligence”; however, his framework became the basis for social-democratic policy arguments.⁶

Characteristic of the use of the Keynesian macro framework was the familiar argument by trade unionists that increased wages would increase aggregate demand, stimulate job creation and new investment. The importance of increased consumption became the focus of what has been described somewhat misleadingly as the “Fordist” model of development—mass consumption, it was argued, is necessary for mass production.⁷ However, to realize these benefits the market by itself would not suffice—state policies and macromanagement were seen as critical. What marked this as social democratic in essence was the consistent theme that workers could gain without capital losing—these positive-sum claims characterized the Fordist model. And what the case for endogenous (internally-oriented) economic development has shared with the Fordist model is its stress upon the importance of domestic demand as the foundation for the development of nationally-based industry.

During the so-called Golden Age between the end of the Second World War and the early 1970s, these theories, which challenged the neoclassical wisdom, enjoyed a period of grace. It was an unusual period: the United States had emerged from the war with no real capitalist competitors—the economies of Germany and Japan were basket cases, and the industries of France, England, and Italy could not compete with those of the United States. Further, in the United States and elsewhere, there was considerable pent-up

demand both from households and firms. Although it was widely predicted that the end of the war would bring a relapse into another depression, in fact the conditions were ripe for a substantial increase in consumption and investment (the latter drawing upon a large pool of technological advances made in the 1930s and 1940s). Added to that (and supporting industrial profits) were falling terms of trade for primary products as the result of increased supplies. In the United States, oligopolistic industries were able to engage in target pricing to achieve desired profit rates and could allow wage increases without fear of being uncompetitive; elsewhere, the economies of scale available from new investments made the growth of consumption as the result of wage increases a net benefit rather a challenge to profitability.

Here was the setting in which the virtuous circle of the Fordist model could flourish: increased output stimulated gains in consumption and vice versa—in developed countries as well as those developing countries that decided to industrialize on the basis of import-substitution rather than rely on the fortunes of primary product exports. But, the rapid growth of productive capacity in many places during the period portended a point when capital would face a problem of overaccumulation.

Already by the late 1950s, there were signs that competitors were emerging to challenge U.S. economic hegemony. Further, by the mid-1960s, terms of trade for primary products (dominated by oil) stopped falling, soon to begin an upward movement. Increasingly, it was the companies outside the United States that were growing more rapidly, and by the early 1970s, with falling profit rates spreading, the “Golden Age” of capitalism is generally conceded to have come to an end.

The increasing intensity of capitalist competition, which now became apparent, reflected the overaccumulation of capital. In this context, transnational firms reduced their production costs by shutting down some (relatively inefficient) branch plants that had been established to serve particular national markets and by turning others into exporters as part of a global production strategy. Production for national markets and, thus, the import-substitution strategy for industrialization was now no longer seen as credible because relative costs became the focus in the competition of capitals. In general, the virtuous circle of Fordism had been broken, and a premium was placed instead on driving down wages and other costs for capital.

This “new reality” is the context in which Keynesianism was rejected. The neoclassical wisdom, which identified high wages and social programs as a source of disaster, once again dominated.

Neoliberalism (supported by international financial institutions) became the weapon of choice of capital, leading to a generalized assault on social programs, wages, and working conditions in the developed world and the use of a strong state in developing countries to ensure their access to the comparative advantage of repression.

But, why were Keynesianism and the Fordist model so easily discredited? Basically, Keynesianism as transmitted was always a theory of aggregate demand but not of supply. Its premise was that the level of output is constrained by demand in the economy in question; and if that demand is forthcoming, capital will provide the supply. Since the assumption was that capital would supply the consumption and investment goods if government created the appropriate environment, the government's role was to stimulate the economy in those cases where the interaction of individual capitals would otherwise lead to low investment. Its assigned task in the theory was to create the environment for investment when the market failed.

What happened, though, when aggregate demand rose and domestic supply did *not* respond appropriately? Inflation and trade deficits increased. Accordingly, in the new reality, the environment that government sought to create became one that would induce investment in the local economy rather than investment *elsewhere*—its focus, thus, became to lower taxes and wages. The neoclassical and Keynesian question, in short, had remained the same, what can the state do to make capital happy to invest? What was consistent was the role envisioned for government—support capital's requirements.

The Failure of Social Democracy

There should be no surprise, then, that capital abandoned the tool of Keynesian theory for one more suited to its needs under the new conditions. But, how do we explain the failure of social democracy to find an alternative? After all, social democracy has always presented itself as proceeding from a logic in which the needs and potentialities of human beings take priority over the needs of capital. Even limited measures such as the exclusion of medical and educational services from the market, the provision of income maintenance programs and social services, and the advocacy of everyone's right to a decent and well-paying job suggest an implicit conception of wealth as the satisfaction of human needs—rather than one of capitalist wealth.

In fact, the failure of Keynesianism as theory was really the failure of an ideology—social democracy. Within the Keynesian

structure, there was always an alternative. The basic Keynesian equations in themselves say nothing about the structure of the economy; they don't distinguish between burying money and government investment, between activity which leads to the expansion of capitalist enterprises and activity which leads to the expansion of state enterprises. Although for Keynes the appropriate engine for growth was the capitalist one, a policy of expanding a state productive sector was always a theoretical option in order to drive the economy.

If the capitalist sector is the only sector identified for accumulation, however, then in theory and practice the implication is self-evident: a "capital strike" is a crisis for the economy. All other things equal, a government cannot encroach upon capital without negative-sum results. This has always been the wisdom of conservative economists.

Yet, it is essential to understand that the conclusions of the neoclassical economists are embedded in their assumptions—and particularly relevant here is the assumption that all other things are equal. Consider two simple examples, rent control and mineral royalties.⁸ If you introduce rent controls (at an effective level), the conservative economist predicts that the supply of rental housing will dry up and a housing shortage will emerge. Likewise, he will tell us that if you attempt to tax resource rents (notoriously difficult to estimate), investment and production in these sectors will decline, generating unemployment. Both those propositions can be easily demonstrated—and they can also easily be demonstrated to be entirely fallacious with respect to the necessary conclusion.

Assumed constant in both cases is the character and level of government activity. Clearly, rent controls may reduce private rental construction—but if the government simultaneously engages in the development of social housing programs (e.g., the fostering of cooperatives and other forms of nonprofit housing), there is no necessary emergence of a housing shortage. Similarly, taxing resource revenues may dry up private investment in mineral exploration but a government corporation established for exploration and production in this sector can counteract the effects of a capital strike. Obviously, all other things are not *necessarily* equal. Why should all other things be equal if a social democratic government rejects the logic of capital?

Thus, we need to be aware of the limits of the conservative economist's logic. However, that does not at all mean that these arguments can be ignored! Because what the conservative economist does quite well is indicate what capital will do in response to particular measures. It is an economics of capital. And, nothing is

more naive than to assume that you can undertake certain measures of economic policy *without* a response from capital; nothing is more certain to backfire than introducing measures that serve people's needs without anticipating capital's response. Those who do not respect the conservative economist's logic, which is the logic of capital, and incorporate it into their strategy are doomed to constant surprises and disappointments.

Understanding the responses of capital means that a capital strike can be an opportunity rather than a crisis. If you reject dependence upon capital, the logic of capital can be revealed clearly as contrary to the needs and interests of people. When capital goes on strike, there are two choices, *give in* or *move in*. Unfortunately, social democracy in practice has demonstrated that it is limited by the same things that limit Keynesianism in theory—the givens of the structure and distribution of ownership and the priority of self-interest by the owners. As a result, when capital has gone on strike, the social-democratic response has been to give in.

Rather than maintaining its focus on human needs and challenging the logic of capital, social democracy has proceeded to enforce that logic. The result has been the discrediting of Keynesianism and the ideological disarming of people who looked upon it as an alternative to the neoclassical wisdom. The only alternative to the barbarism being offered became barbarism with a human face. With this acquiescence to the logic of capital, its hold over people was reinforced; and the political result was the popular conclusion either that it really doesn't matter *who* you elect or that the real solution is to be found in a government *unequivocally* committed to the logic of capital.

So it was that the new wisdom became TINA—there is no alternative. No alternative to neoliberalism, which is simply neoclassical economics enforced by finance capital and imperialist power. Yet, as occurred after the "Golden Age," concrete conditions have a way of undermining accepted truths—and nowhere has this been truer than in less developed countries. The fallacy of assuming that every country could become the promised land by surrendering completely to capital became clear; and, as the evidence of the failures of the external orientation imposed by neoliberalism has accumulated, interest in an internal solution, the endogenous model of development, has grown again—especially in Latin America. Yet, how credible is such an option in the current conjuncture where intense capitalist competition continues and the power of international capital in fact (if not ideology) has not declined?

The Possibility of Endogenous Development

Removing the straitjacket placed upon economic development by neoliberalism will not be an easy matter. A true focus upon endogenous development cannot simply be an orientation to the limited markets that characterized previous import-substitution efforts; rather, it calls for incorporating the mass of the population that has been excluded from their share of the achievements of modern civilization. In short, real endogenous development means making real the preferential option for the poor. And, that means making enemies—internally (both those who monopolize the land and the wealth and those who are content with the status quo) and externally.

Any country that would challenge neoliberalism by seriously attempting to foster endogenous development will face the assorted weapons of international capital—foremost among them the International Monetary Fund, the World Bank, finance capital and imperialist power (including such forms as the U.S. National Endowment for Democracy and other forces of subversion). These are, of course, formidable foes. Since no government based simply on its own resources can hope to succeed in this struggle against such internal and external enemies, the central question will be whether the government is willing to mobilize its people on behalf of the policies that meet the needs of people. Here, the essential matter is the extent to which the government has freed itself from the ideological domination of capital.

This unshackling implies more than simply a return to the old idea of import-substitute industrialization—even if accompanied this time by the massive land reform that would create the potential for a much larger home market. New models of Keynesianism—even dressed up as the Fordist positive-sum solution—will not move those whose active support will be necessary to strengthen the resolve of a government which will find itself constantly pressured by capital to sue for peace. Theories that continue to be rooted in existing patterns of ownership, in the dominating principle of self-interest and in the belief that (outside of a few exceptions) the market knows best, cannot support a successful challenge to the logic of capital—they are an organic part of that logic.

The central flaw in social democratic proposals for endogenous development is that they break neither ideologically nor politically with dependence upon capital. If a model of endogenous development is to be successful, it must base itself upon a theory that places the goal of human development first. More than the consumption stressed by neoclassicals and Keynesians alike, it must

focus on investment in and development of human capacities. This means not only the investments in human beings that come from the direction of expenditures and human activity to the critical areas of education and health (ie., what has been called investment in "human capital") but also from the real development of human potential which occurs as the result of human activity. This is the essence of the revolutionary practice that Marx described, the simultaneous changing of circumstances and human activity or self-change.⁹ In contrast to a populism that merely promises new consumption, this alternative model focuses upon new production—the transformation of people through their own activity, the building of human capacities.

A development theory that begins from the recognition of human beings as productive forces points in quite a different direction than that of the economics of capital. Where are the measures in traditional theory for the self-confidence that arises in people through the conscious development of cooperation and democratic problem-solving in communities and workplaces? Where is the focus upon the potential efficiency gains of unleashing these human productive forces, whose creativity and tacit knowledge cannot be produced by directives from capital? By stimulating the solidarity that comes from an emphasis upon the interests of the community rather than self-interest, a model based upon this radical supply-side theory rooted in human development will allow a government to move further with the support of the community. Within such a framework, the growth of noncapitalist sectors oriented to meeting people's needs is not merely a defense against a capital strike; rather, it emerges as an organic development. Here, human needs and capacities, rather than the needs of capital, become the engine that drives the economy.

Endogenous development is possible—but only if a government is prepared to break ideologically and politically with capital, only if it is prepared to make social movements actors in the realization of an economic theory based upon the concept of human capacities. In the absence of such a rupture, economically, the government will constantly find it necessary to stress the importance of providing incentives to private capital; and, politically, its central fear will be that of the "capital strike." The policies of such a government inevitably will disappoint and demobilize all those looking for an alternative to neoliberalism; and, once again, its immediate product will be the conclusion that there is no alternative.

Notes

1. Thorstein Veblen, "Why is Economics Not an Evolutionary Science?"

- in Veblen, *The Place of Science In Modern Civilization and Other Essays* (1919) republished as *Veblen on Marx, Race, Science and Economics* (New York: Capricorn, 1969), 73.
2. Adam Smith, *The Wealth of Nations* (New York: Modern Library, 1937), 423.
 3. Ronald Meek, *Economics of Physiocracy: Essays and Translations* (Cambridge: Harvard University Press), 70.
 4. John Kenneth Galbraith, *American Capitalism* (Boston: Houghton Mifflin, 1952), 28.
 5. Adam Smith, *The Wealth of Nations* (New York: Modern Library, 1937), 638.
 6. Michael A. Lebowitz, "Paul M. Sweezy" in Maxine Berg, *Political Economy in the Twentieth Century* (Oxford: Philip Allan, 1990).
 7. Whether "Fordism" was a conscious model is definitely questionable. Certainly, much of what is claimed for Henry Ford himself in this respect is mythology. For a critical view on the historical question regarding Fordism, see John Bellamy Foster, "The Fetish of Fordism," *Monthly Review* 39, no. 10 (March 1988), pp. 14-33.
 8. These examples come from the 1972-1975 period when the New Democratic Party (Canada's social-democratic party) governed British Columbia, Canada.
 9. Michael A. Lebowitz, *Beyond Capital: Marx's Political Economy of the Working Class*, 2nd ed. (New York: Palgrave Macmillan, 2003).

MONTHLY REVIEW

fifty YEARS AGO

We are embarking on a course that is likely to lead to the involvement of American soldiers in another shooting war [this time against the Vietminh in Indo-China]....[Secretary of State] Dulles is going all out to condition public opinion in this country for what is coming: his performance before the House Foreign Affairs Committee on April 5th was as slick (and as transparent in its purpose) as any ever put on by the high-pressure boys from Madison Avenue. The creation of an atmosphere of emergency by hinting that Indo-China might be on the verge of "falling" (which is nonsense), the arch refusal to deny that the United States might intervene alone, the "ominous" top-secret intelligence report of Chinese military personnel at Dienbienphu (how easy it is to produce intelligence reports and how impossible to check their accuracy!)-these are typical of the tactics that Dulles is using to shock, scare, wheedle, and cajole the American people into accepting the burdens and sorrows of a new war.

—Leo Huberman and Paul M. Sweezy,
 "The Road to Another War," *Monthly Review*, May 1954

Palestinian Women

Fighting Two Battles

SUSAN MUADDI DARRAJ

On March 8, 2003, which is recognized as International Women's Day, several Palestinian women's organizations released a public statement, in which they declared: "Looking towards the eighth of March, we, Palestinian women, stand defiantly over the graves of our innocent martyrs and children, challenging the violations of human rights practiced against our people daily." Later the statement goes on to say: "[W]e raise our voices loudly, as one people, demanding from international society to provide international protection for our people, living, dying and existing under occupation. We demand a halt to all forms of war crimes and violations of our human rights which we face daily. We call upon our civil society partners to build a feminist agenda as an integral part of their programs for the sake of a just society in which all are equal without discrimination or abuse."¹

The statement is a fitting illustration of the dual battle that Palestinian women wage against the obstacles of occupation and the challenges of patriarchy. Any women's movement that has had to contend with patriarchal as well as imperialist forces has had to wage a similar battle, fought on two fronts. This paper will outline the history of the Palestinian women's movement, highlight the issues that differentiate it from other global women's movements, and discuss the future of Palestinian women's rights.

History

In the United States, the first wave of the feminist movement arose decades after independence from Britain had been sought and gained. The ground-breaking summit on women's rights was held in 1848 in Seneca Falls, New York, and women finally achieved suffrage in 1920 with the passing of the 19th Amendment to the U.S. Constitution. In the West Bank and Gaza, however, feminism and

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nationalism have always had a concurrent and parallel history.

The history of colonial occupation and dominance in the Palestinian territories has always marked its physical, political, and cultural landscapes. While the 500-year reign of the Ottomans in Palestine had produced a flowering of literature, music, and culture in general, corruption and brutality had marked the last years of Ottoman rule. During this time, Palestinians endured mass oppression: rates of literacy among men and women remained quite low, and most Palestinians lived an agrarian life, tilling the soil on their farms to sustain their living. It is not unusual to hear stories of Palestinian men who were kidnapped by Ottoman armies to fight in battles. (Indeed, I have heard from my own family that my paternal grandfather was so kidnapped, and after the war's end, he walked and hitchhiked his way from Syria back to his village in the West Bank.)

After the First World War, when Palestine came under the control of the British Empire, life did not significantly improve. However, Palestinians became more urbanized as cities like Ramallah and Nablus began to crystallize into mass centers of trade and commerce. Newspapers such as *Filastin*, *Mirat al-Sharq*, and the *Palestine Bulletin* circulated, keeping Palestinians from Haifa on the coast to Jenin in the north to Jericho (a-Riha) near the Dead Sea connected and informed.²

Almost immediately, however, pockets of Jews began arriving in Palestine from Western Europe, establishing small colonies and towns. In 1896, Theodor Herzl had written his famous book, *Der Judenstaat*, or *The Jewish State*, arguing that a national homeland for the Jewish people was essential to their survival. As a result, the Zionist movement spread quickly through Europe, its fire no doubt fanned by the fact that Jews had long been the victims of anti-Semitic practices that made life unbearable for many. The Jews who left Europe to settle in Palestine were initially befriended by the native Palestinians; this is not surprising, since communities of Sephardic Jews (also known as "Arab Jews," because they speak Arabic and are identified ethnically as Arabs) had always existed in Palestine. Furthermore, the medical and agricultural skills and knowledge that these Jewish immigrants brought with them from Europe often proved useful and intriguing to the community in general.

Problems arose, however, when the influx of Jews from Europe increased exponentially. In 1914, 6 percent of the population had been Jewish and the rest Arab; by 1939, as a result of the increasing horror of the Holocaust in Europe, the Jewish population had risen to 30 percent.³ Furthermore, by this time, the purpose of the

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increasing numbers of immigrating Jews had become clear to most Palestinians, even to villagers and those living in rural areas: despite confusing British claims to the contrary, Palestine was to become the new Jewish homeland. The threat was understood immediately, and Palestinians began mobilizing to resist it.

Until this time, most rural Palestinian women had shared the same lot as the men: living a rudimentary, simple lifestyle, they shared farming duties with their families and husbands, while also caring for their children and managing a household. Politically passive and uninvolved, this group of women had more immediate concerns: preserving their livelihoods and that of their families under crippling poverty. Middle- and upper-class women, however, had already begun to organize, also in parallel stride with men of their socioeconomic class. In 1903, a Palestinian women's organization was founded in Acre, on the current Israeli coast—one of the first known women's organizations in the Palestinian territories.⁴

In her book, *The Nation and Its "New" Women: The Palestinian Women's Movement, 1920-1948*, Ellen Fleischmann notes that during the years of crisis, when Palestinians were resisting both British colonialism and a surge in Zionism whose intent was a Jewish nation on Palestinian land, "Palestinian women were doing something."⁵ Fleischmann offers a comprehensive and riveting study of the earliest years of the Palestinian women's movement. It is a movement that really began in the early 1900s, as a way for women to conduct charitable work as an early welfare system; gradually, as Palestinian hopes for an independent nation crystallized in the 1910s and were then threatened by the Zionist movement, the women's movement became more and more political and "feminist," in the Western sense of the word.

In the 1900s, Palestinian women of the upper and middle classes had more access to education, something that was seen as an asset and therefore encouraged by Palestinian men of the same classes. As a result, these women wanted to make use of their education, and they began organizing charitable and social works organizations: these included schools for girls, homes for orphans, service organizations caring for the ill and infirm, literary and sports clubs, as well as a labor union for women. As Fleischmann notes, however, "Although women's new activism may have been clothed in the garb of charity and "reform," it also constituted tacit political protest and social critique. By stepping in to fill perceived gaps (in services, for example), women were also implicitly criticizing those responsible for not fulfilling the function. Indeed, ultimately the criticism was not necessarily implicit and muted but openly directed

against the government for its neglect of the population." This criticism also foreshadows one of the main pillars of the Palestinian women's movement: it is a movement whose cause from the beginning was the improvement of society in general. This is a community-oriented feminism whose goal is the general betterment of life for all Palestinians, especially women, as opposed to Western feminism, which seems mainly to improve the individual lives of women. From the beginning, however, this nuance in the Palestinian women's movement has made it suspect in the eyes of Western feminism, which has questioned its conformity to "true" feminism.⁶

At the same time as Palestinian women were mobilizing, Arab women all over the Middle East were doing the same. This was the era of the rise of the general Arab women's movement, spearheaded by women like Huda Sha'rawi, an Egyptian feminist. As the colonial era in the Middle East was beginning to draw to a close in the early 1900s, Arab women sought to re-energize their countries by throwing themselves into active political life. Palestinian women were no different (although their cause would take a much different turn), and Palestinian women generally had the support of the men in their lives, who also believed that women needed to take a more active role in the life of the new, hoped-for Palestinian nation.

Some of the most active and productive organizations included the Red Crescent Society in Jerusalem, the Women's Solidarity Association, the Palestine Women's Council, and others. As the threat of Zionism became more palpable, and as the British seemed less and less inclined to uphold their promise of a Palestinian state, the women's organizations paralleled those of the men and became increasingly political. In 1929, the women's movement was officially established during the Palestine Arab Women's Congress, although it had been building up and entrenching itself for many years before this declaration. At this same meeting, the Arab Women's Association was founded and became the most prominent feminist organization in Palestine. At the same time there was a shift in the activities of Palestinian women, who moved from performing solely charitable, volunteer work to organizing mass demonstrations and public protests against British rule. At a speech in April 1933, during a visit by British General Allenby, Tarab 'Abd al-Hadi, an organizer in the AWA, declared: "The Arab ladies ask Lord Allenby to remember and tell this to his government...The mothers, daughters, sisters of the Arab victims are gathered here to make the world witness the betrayal of the British. We want all the Arabs to remember that the British are the cause of our suffering and they should learn from the lesson."⁷

During 1938 and 1939, in the years following the Arab revolt (a

time during which Arabs in Palestine held strikes against the British and organized with the aim of minimizing Jewish immigration into Palestine and preventing the sale or acquisition of Arab land to Jews), the Arab Women's Association split into two factions: the Arab Women's Association (AWA) and the Arab Women's Union (AWU). During the revolt, Palestinian women had been forced to question their cause: They were fighting for liberation from British colonialism and Zionist expansionism, but would they do it by marching in the streets or by writing letters to newspapers and government officials? They had, thus far, employed both tactics prodigiously, but the intensity of the crisis escalated during the revolt, which demanded dramatic action on the part of the women's movement. There appeared to be some women who thought that the political work was temporary, and that their mission over the longer-run should revert to social work. This is one cause of the split of the AWA into the two organizations: the AWA remained mostly an organization dedicated to social work, while the AWU became the more political, feminist organization.

The next phase of the women's movement can be described in terms of the fate that befell most Palestinians in 1948. When the United Nations voted to partition Palestine in 1947 into seven entities, three for the Jews, three for the Arabs, and one separate independent entity for Jerusalem, the Jews accepted the plan while the Palestinians flatly rejected it. The reasons were various, but the primary factor in the refusal was the fact that the Jewish population was significantly less numerous than the Palestinian, but the greater share of the land, especially the rich, coveted, and developed coastal areas, had been allotted to the Jews.⁸ There was a general sense of dissatisfaction among the Palestinians, as well as a feeling that the British, by having submitted the problem of the Jewish-Palestinian conflict to the UN, had betrayed their promises to the Arabs for an independent Palestinian state. Other Arab countries felt the same, and an attack on the new state of Israel was launched almost as soon as its establishment was declared.

Women expressed their disapproval in many ways, most expressly by holding demonstrations and by writing letters to the British and UN officials. During this time, Jewish militia gangs had begun to terrorize residents in Palestinian villages; the most famous incident occurred on April 9, 1948, about one month before Israel was established. On that day, the Irgun and Stern Gangs, led by Menahem Begin and Yitzhaq Shamir (both of whom later were elected prime minister of Israel) massacred 245 Palestinians in the village of Deir Yassin, near Jerusalem. The massacre shocked the Palestinian populace, and word spread rapidly to other Palestinian

cities and towns that the Zionists were going to violently oust them from their land. The news prompted many people to flee, while others held their ground and fought. Women, especially peasant and lower-class women, fought alongside their husbands, fathers, and brothers—they prepared ammunition and supplies, helped develop escape routes, and participated in other ways.

When the Israeli state was established in May 1948, the majority of the Palestinian populace was thrust into a diaspora. Many fled because of continued attacks on villages by Jewish gangs, while some others became displaced during the war. The end result was that a massive refugee crisis developed, and the Palestinians became the largest ethnic group in the world with a majority of its population forced to live in exile. (This is ironic, as many scholars have noted, especially because the Palestinians became the “victims of victims,” that is, they suffered at the hands of a community that had itself been no stranger to suffering and displacement. It is difficult to find another historical example of a community that endured terror and genocide, but then terrorized another community after its recovery.) The infrastructure of the Palestinians—media, health, education, and government—was shattered. The women’s movement suffered the same fate.

While the formal women’s movement struggled to regroup in the face of war, poverty, displacement, and other trials, Palestinian women struggled on an individual basis to maintain their families and earn a living, whether they had been displaced to refugee camps, to other countries or within their same communities under a new government. After 1967, Palestinians living within the original borders of Palestine also faced living under a new occupation government.

The next historical intersection that saw a substantive re-emergence of the women’s movement was during the intifada of 1987. During this uprising, which lasted until 1992, women demonstrated their strength. As Rita Giacaman says, “The social change resulting from the intifada has created new roles for women. The women’s organizations and the committees taught women the skills needed to be politicians and strategists, and the intifada taught them how to be political leaders. The important movement of women into leadership roles in the male arena was necessitated by the mass imprisonment of male political leaders.”⁹ The result was that when the Oslo Accords were signed in September of 1993, Palestinian women had already drafted and approved a “Document of Principles on Women’s Legal Status,” recognizing that they had to assert their rights to be incorporated at the onset of the future Palestinian state. The goals, as stated in this document, of

Palestinian women are to: (1) "preserve a cohesive Palestinian society"; (2) "enhance Palestinian culture and uniqueness"; (3) "reinforce the national and social struggle of Palestinian women"; (4) "achieve equality"; (5) achieve "political rights"; (6) achieve "civil rights"; and (7) achieve "economic, social, and cultural rights." The concluding paragraphs demonstrate how closely the women's movement is tied to the national movement: "The efforts of Palestinian women as well as all democratic forces in Palestinian society must unite to remove all obstacles hindering the equality of women with men. We must work hand in hand towards a democratic society which fulfills a comprehensive national independence, social justice, and equality."¹⁰

In September 2000, a second intifada broke out in the West Bank and the Gaza Strip. Women have taken on many roles: they operate as a welfare system, caring for the wounded and the sick, as well as those orphaned or who have lost their chief financial providers in the violence; and they maintain the educational system as teachers.

In a more complicated role, many women have also participated in the violence. The rise of suicide bombings as a means of retaliation against the Israelis has claimed the lives of several female bombers and their victims; as of this writing, the most recent episode occurred on October 4, 2003, when Hanadi Tayseer Jaradat blew herself up in a restaurant frequented by both Arabs and Israelis in Haifa, Israel. In the aftermath of the explosion, which killed at least 19 people, it was immediately reported that Jaradat had, earlier that summer, witnessed the Israeli execution of her brother and her cousin, killed in the entrance to their home in Jenin, where Jaradat also lived. A lawyer in training, Jaradat had been, by most reports, a hard-working and intelligent young woman, depressed by the violent deaths which had befallen her relatives. This story is not unusual—the handful of other female suicide bombers had also reportedly witnessed crimes by the Israeli military against their families or close friends.

The circumstances that apparently motivated Jaradat to become a suicide bomber are manifold; they can be labeled mitigating conditions, but it is still impossible to justify the bombing—suicide or otherwise—of civilians. An attack against a military target can be seen as a war tactic, but an attack against civilians in a civilian environment is different. While there is no "Palestinian army," a force that can confront the Israeli military, attacks by the Palestinians are enacted on an individual basis. Unfortunately, suicide bombings come to be interpreted by the media as a collective, generally-approved response by the Palestinian forces, rather than the desperate action taken by an individual against an

occupying army and the population that is seen as supporting it.

It seems inevitable that these young women would become caught up in the cycle of oppression and violence that pervades the Israeli-Palestinian conflict. The only thing that will stop Palestinian attacks against Israeli civilians is another, substantial way to express their rage and anger. Women are just as susceptible to this feeling of frustration and fury as men. Since the network of Palestinian women's organizations and feminist networks seems to be surviving the blow to the Palestinian infrastructure, it is hoped that other alternatives will be available to young women who feel the need to act against the occupation.

Issues

The Palestinian feminist movement today faces many issues and obstacles. The trials of colonialism and occupation, compounded by the difficulties of living in a deeply patriarchal society, make feminist endeavors twice as difficult but immeasurably more important. Furthermore, nationalist concerns have the potential to eclipse feminist ones. Some of the issues confronting the modern feminist movement include:

1. **Fundamentalism:** Anyone who has been absent from the West Bank and Gaza for some years usually expresses surprise to learn that more and more women have adopted the traditional Islamic dress, from an elegantly draped *hijab* to a full, black cloak with long sleeves and face covering, a complete concealment of the body. The reasons behind this trend differ among individual women (for some, it is an expression of their faith; for others, it has been forced upon them by their families; for still others, the *hijab* is a mark of a new kind of feminism known as Islamic feminism (more below). One factor, however, is the rise of Islamic fundamentalism in the West Bank and Gaza. As the Palestinian-Israeli conflict has become more intense and violent in the last several years, and especially after the seeming collapse of the Oslo Peace Accords, Islamic fundamentalism has gained a popular appreciation among Palestinians, as it has in other Arab nations.

According to Philippa Strum, "Many modern Palestinian women interpret the pressure to wear 'modest clothing' as part of an illegitimate attempt by fundamentalists to reject modernity and women's redefinition of their roles."¹¹ Dress, however, is only one way in which fundamentalism is working against women's individual independence. Fundamentalist notions of women's roles are ultraconservative, as is common among all fundamentalist movements, chipping away at women's progress in education, social equality, health care rights, and other areas.

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2. Honor killings: While honor killings take place frequently in Jordan (approximately 25 per year), they are also a problem in the West Bank and Gaza as well. Men who feel that their family honor is all they have left in the wake of displacement, occupation, and poverty (also by the fact that Palestinian women in Israeli jails have reported suffering sexual abuse) often force the females in their families to abide by strict behavioral codes. This often throws suspicion upon women who attempt to take part in women's organized activities.

3. Occupation: The occupation is, as most Palestinians view it, the root cause of many problems their society faces, including poverty, illiteracy, human rights, and employment. Some of these issues impact women most severely. For example, in a time when many men cannot find employment, women have an even more difficult time since most employers are more willing to hire a man who may have a family to feed. Also, domestic violence rates increase, since the frustration and rage many men feel is often vented in the form of violence against a spouse or female family member.

Furthermore, the occupation causes another major obstacle for women: sexual assault. Many women have served time in Israeli jails for participating in protests, demonstrations, rock-throwing, and other activities; many of them, it is commonly known, have been assaulted by Israeli soldiers while in jail as a form of retribution, punishment, humiliation, and even as a means of eliciting information. According to Nadia Shalhoub Kevorkian, the methods used by the Israeli military are calculated and cunning, exploiting social and cultural norms:

Stories were told of girls who were drugged and photographed naked in order to blackmail them for information on the political activities of family members, relatives or neighbours. The form of the harassment varies widely, but the pattern of the behaviour and its effect represent a serious violation of the female's personal integrity: she feels as if she is no longer a human being, that her value is not in her social function and contribution, and that she is transformed into a sexual object. This transformation affects her self-evaluation and confidence and even has negative repercussions on her school performance.¹²

Awareness of the emotional effects of sexual harassment and assault on women who have been imprisoned is growing and will hopefully result in significant actions to help young women emotionally handle these crises. However, fear of such assault prevents many Palestinian women from fully participating in social and political activities. One young woman reported to Kevorkian: "I

am terrified of leaving the house, even to go shopping or visit a friend, for fear of being taken away by the Israeli army. They might take indecent pictures of me, by force, or by drugging me as they have done to some of my friends."¹³

4. Distance/communication obstruction: The occupation, and the continual building and expansion of Israeli settlements (illegal under UN law) on Palestinian land, has left the West Bank and Gaza in a state of continuous obstruction. Checkpoints are set up at major intersections; a series of roads connect the settlements and only Israelis are permitted to use them; and Palestinians are often obstructed from traveling to work and school. Most Palestinians also live in exile in other countries, and they are not permitted to return. Coordinating and maintaining a strong, unified, and connected feminist movement is quite difficult.

5. The "Algeria factor": Palestinian women are generally divided into two camps: those who believe that the struggle for Palestinian women's rights needs to be delayed, at least until autonomy and national independence are achieved, and those who believe the two movements should be parallel. There is a lesson, the latter group would argue, to be learned from Algerian women, who participated actively in the struggle for independence from French colonial rule. They planned to assert the need for women's rights at the conclusion of the national crisis; once independence was achieved, however, women's rights never received the intended attention and time. Instead, women's rights became trampled underneath a new form of patriarchal Islamic fundamentalism that swept through the nation. Leila Danesh says: "Women in the Algerian nation today remain victims in a sustained campaign of violence by both the state and the Islamists."¹⁴ Many Palestinian women worry about this Algeria factor and strive to ensure that the same fate does not befall them, especially after the significant roles they have played in the life of the Palestinian independence movement.

The Future

The recent crises in the Middle East, especially the escalation in Islamic fundamentalist fervor as well as even more aggressive Israeli occupation policies, have led to a marked change in Palestinian feminism. There is, for example, a new brand of feminism which can be called Islamic feminism. In her excellent book, *Palestinian Women: Patriarchy and Resistance in the West Bank*, Cheryl Rubenberg describes this movement, in which Palestinian Muslim women find a precedent for a strong Muslim woman in the Qur'an and teachings of Muhammad, and reject current conservative attitudes about women as false notions concocted by men

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attempting to manipulate history and the teachings of Islam.

While there has also been a steady interest in maintaining the women's committees and organizations that helped to establish the feminist movement in the first place, a more academic interest has also developed. In 1993, Birzeit University, one of the premier Palestinian universities, established a women's studies program, with a mission to train women to organize and to research the needs of Palestinian women. According to Roula el-Raifi, "The program, which is unique for the Arab world, includes a research initiative, Palestinian Women in Society, whose initial goal was to fill the existing void with respect to research on women's conditions by evaluating existing material from a gender perspective and identifying further research and policy implications."¹⁵

A major challenge of the Palestinian feminist movement will be connecting and maintaining relations between Palestinian women of all class levels; this is the same problem that has plagued the movement since its inception, when the feminist movement was seen primarily as a vehicle of upper-middle and upper-class women, without real efforts being made to reach out to peasant women. In modern times, the feminist movement should seek, despite the difficulties of occupation, to simultaneously embrace the views and voices of upper-class and educated women, working-class women, Bedouin women, refugee women, and Palestinian women living in exile.

Given its long history, the Palestinian feminist movement is deeply entrenched in Palestinian society, though it can often seem invisible because of the overarching concerns about the Israeli occupation. A swift, just resolution to the Palestinian-Israeli conflict, leading to an independent, viable Palestinian state, is essential to the ability of the feminist movement to continue making meaningful progress in the lives of both Palestinian women and Palestinian society.

Notes

1. "Press Release on the Occasion of International Women's Day, 8th of March," e-mail correspondence, March 6, 2002, from alzahraa44@hotmail.com. Signed by: Al-Zahraa: An Arab Women's Feminist Organization (Sakhneen); PNGO: the Network of Palestinian NGO's in the Occupied Palestinian Territories; HRA: the Arab Human Rights Association (Nazareth); The Women's Studies Center, Birzeit University (Birzeit, OPT); Assiwar, the Arab Feminist Movement to support Victims of Sexual Abuse (Haifa); Baladna: The Association of Arab Youth (Haifa); Kayan: A Feminist Organization (Haifa); Al-Wafa wal Amal: A Women's Charity Organization (al-Baqa al-Gharbiyya);

- The Association of Women in Laqiya (Bir al-Saba'a); A Step Forward (Rahat); The Women's Democratic Movement (Nazareth).
2. Ellen Fleischman, *The Nation and Its "New" Women: The Palestinian Women's Movement, 1920-1948* (Berkeley: University of California Press, 2003) 311.
 3. <http://www.palestine-net.com/history/bhist.html>.
 4. Palestinian Academic Society for the Study of International Affairs (PASSIA), "Palestinian History," http://www.passia.org/palestine_facts/pdf/pdf2003/sections2/Timeline.pdf. PASSIA is based in Jerusalem, and it considered a major think tank on the Israeli-Palestinian struggle. I visited PASSIA's offices in 1998, and I was impressed by the scope and range of information it collects and the research it conducts on this issue.
 5. Fleischman, *The Nation*, 3.
 6. Fleischman, *The Nation*, 96-97.
 7. Fleischman, *The Nation*, 95, 121.
 8. For a map, see http://www.passia.org/palestine_facts/MAPS/newpdf/Partition-Armistice.pdf.
 9. Rita Giacaman, "The Women's Movement on the West Bank," in *Arab Women: Between Defiance and Restraint*, Suha Sabbagh, ed., (New York: Olive Branch Press, 1996) 130.
 10. General Union of Palestinian Women, Jerusalem, Palestine, "Draft Document of Principles of Women's Rights," third draft, in *Arab Women: Between Defiance and Restraint*, Suha Sabbagh, ed., (New York: Olive Branch Press, 1996) 258, 261.
 11. Philippa Strum, *The Women are Marching: The Second Sex and the Palestinian Revolution* (New York: Lawrence Hill Books, 1992) 73.
 12. Nadira Shalhoub Kervorkian, "Fear of Sexual Harassment: Palestinian Adolescent Girls in the Intifada," in *Palestinian Women: Identity and Experience*, Ebba Augustin, ed., (London: Zed Books, 1993) 175.
 13. Kevorkian, "Fear," 176.
 14. Leila Danesh, "Algerian women in politics." *Middle East Times*, <http://metimes.com/issue31/reg/3algwomen.htm>.
 15. Roula El-Raifi, "Laying the Foundations of a Democratic Palestine: The Women's Studies Program at Birzeit University," <http://www.idrc.ca/books/reports/1997/11-01e.html>.



The only thing worse than being occupied is being an occupier.

—L. Paul Bremer III, Chief Administrator of Occupied Iraq
(quoted in *New York Times*, April 4, 2004)

Silencing the Cells

Mass Incarceration and Legal Repression in U.S. Prisons

RICHARD D. VOGEL

People without a voice are not people in any meaningful sense of the word. Silenced people cannot express their ideas; they can neither consent nor protest. They are reduced to being pawns in the schemes of the powerful, mendicants who must accept whatever is imposed upon them. In order to keep people in a state of subjugation, silencing their voices is essential. Nowhere is this clearer than in U.S. prisons.

Prisoners are silenced in many ways. One of the major vehicles of the latest campaign to silence prisoners in the United States is the Prison Litigation Reform Act of 1996 (PLRA). This law, which has been declared unconstitutional by several U.S. District Court judges but upheld on appeal, is helping to reverse the last 30 years of progress in giving prisoners a voice and is moving the nation still further away from democracy. Anyone who cares about the reactionary direction of politics in the United States needs to pay attention to the PLRA. When Attorney General John Ashcroft was a U.S. senator, he advocated that other state and local institutions adopt the premises and procedures of this law. This is exactly what is happening today.

To put the PLRA into its appropriate context, it is necessary to briefly review the 20th century history of incarceration in the United States (details are provided in the author's article, "U.S. Capitalism and Incarceration Revisited," *Monthly Review*, September 2003). Incarceration rates rose and fell between 1925 and 1974, hitting a peak of 137.1 per 100,000 persons in the Great Depression year of 1939 and averaging 108 per 100,000 over the entire period. Rates reached a low point at the end of the Second World War, rose after the war until 1961, and began to trend sharply downward after 1962, hitting a post-depression low of 94.3 per 100,000 in 1968. However,

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since the end of the Vietnam War, incarceration rates have skyrocketed, reaching an all-time high of 478 per 100,000 in 2000. Imprisonment in the United States is now at the highest rate of any country in modern history. At the beginning of 2002, close to two million persons were being held in federal and state prisons and local jails. This unprecedented period of mass incarceration is the setting for the PLRA.

Prior to this upsurge in imprisonment, not much new prison construction had taken place in the United States. The Great Depression witnessed the last major prison construction boom, and the flood of new prisoners that began in the late 1960s overwhelmed these aging facilities. U.S. prisons were quickly overcrowded and substantially understaffed, exposing inmates to widespread violence, abuse, and neglect. The Texas Department of Corrections (DOC) offers a good example. By the early 1970s, the state prison system was so overcrowded that some units were operating at 200 percent of capacity with as many as five inmates to a two-person cell and others sleeping on hallway floors and outside in tents. The problem of understaffing was addressed by an infamous building tender system in which selected inmates were used as auxiliary guards. Medical care was grossly inadequate, and meaningful correctional programs were nonexistent. Prison conditions in many states were comparable to those in Texas.

Mass incarceration and overcrowding led to widespread and devastating prison riots and insurrections. Between 1968 and 1971, there were 40 major disturbances, including the historic revolt at Attica Prison in upstate New York, which resulted in 43 deaths. An accurate estimate of the monetary cost of these prison disturbances is impossible because the bills are still coming due. As recently as August 2000, New York agreed to pay former inmates of Attica up to \$8 million to settle a class-action lawsuit resulting from the excessive use of force against prisoners during the 1971 assault to retake the prison.

Not surprisingly, the explosion in imprisonment produced a parallel trend in prison litigation. In 1972, David Ruiz and other inmates filed a lawsuit against the Texas DOC seeking relief from the prison conditions noted above. The case was tried six years later, and in 1981 U.S. District Judge William Wayne Justice ruled that confinement in Texas prisons constituted cruel and unusual punishment. He cited brutality by guards, overcrowding, understaffing, use of building tenders, poor medical care, and uncontrolled physical abuse among inmates.

Similar lawsuits were filed across the country and in increasing numbers. In 1970, some 2,200 civil rights cases were filed in federal

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courts, from a population of 360,000 inmates. By 1995, with a prison population of 1.6 million, nearly 40,000 new lawsuits were filed, about a fifth of the federal courts' civil docket. In that same year, almost a third of all correctional institutions across the nation were under state or federal court orders to limit prison populations or improve the conditions of confinement for inmates under their jurisdiction.

By the middle of the 1990s, mass incarceration sparked both legal and penological crises. Despite the largest and most expensive prison-building program in history, correctional facilities continued operating at or above rated capacities, and, consequently, many DOCs remained in violation of court orders and consent decrees. As national and state economic problems mounted, even staunch conservatives were balking at the prospect of more prison expenditures. It was during the period of economic difficulties in the early 1990s that reactionary politicians drafted the PLRA and railroaded it through Congress. The PLRA grew directly out of the Republican Contract with America, a conservative agenda embracing all aspects of national life. The PLRA was not covert legislation—it openly addressed specific legal issues and only thinly disguised its reactionary goals.

Congressional sponsors of the PLRA, allied with the powerful National Association of Attorneys General (NAAG) and the National District Attorneys Association (NDAA), promoted their bill as the answer to alleged inmate litigation abuse. Senator Orrin Hatch, chair of the Senate Judiciary Committee, introduced the bill on the Senate floor, proclaiming, "This landmark legislation will help bring relief to a civil justice system overwhelmed by frivolous prisoner lawsuits." Backers of the legislation launched a propaganda campaign utilizing various "Top Ten Frivolous Filing Lists" that were concocted from the silliest lawsuits that could be located. These carefully edited lists excluded the four leading topics of correctional-conditions litigation in federal court: physical assaults by correctional staff and other inmates, inadequate medical care, alleged due process violations relating to disciplinary sanctions, and general living conditions claims (for example, nutrition and sanitation). Conservative senators introduced two of the lists into the *Congressional Record*, and lobby groups like the Citizens Against Lawsuit Abuse circulated these "Top Ten" lists nationwide to rally popular support. In spite of the disinformation campaign and ruthless congressional arm-twisting, the PLRA could not pass as freestanding legislation and had to be included as a rider to an appropriations bill.

The PLRA mandates three procedural changes that have affected

inmate litigation significantly. First, the law imposes filing fees even on indigent inmates. This provision increases the financial burden on prisoners, most of whom are already poor at the time of their incarceration. Second, the law limits the damages and attorney's fees that inmates can receive if they win their cases. Considering the low percentage of successful inmate cases and the small monetary damages awarded to plaintiffs, this limitation restricts prisoners' access to legal representation by making prison litigation financially even less attractive to attorneys than it was prior to the enactment of the PLRA. Third, and with the greatest impact, the PLRA requires that inmates exhaust administrative remedies before filing lawsuits. Through this provision, authorities can block lawsuits by issuing complicated grievance procedures, by shortening deadlines, and by adding multiple layers of review.

These procedural reforms have produced the intended results. While the prison population rose steadily between 1970 and 2001, by a phenomenal 574 percent, court filings failed to match this growth trend after passage of the PLRA. Between 1970 and 1995, filings rose by 942 percent, growing considerably faster than total incarcerations. However, in the six-year period immediately following the passage of the act, there was a 43 percent decrease in court filings despite a 23 percent increase in the prison population. The act has definitely silenced a significant number of voices from the cells.

Given the low success rate of inmate litigation (historically about 15 percent) and the modest money damages actually paid out (in 1993, excluding one multimillion dollar settlement, the mean award was \$18,800 and the median was a mere \$1,000), one might reasonably ask whether the political effort and expense needed to enact the statute was justified. However, it is not until we see how the PLRA serves the reactionary agenda for U.S. prisons that we can understand why it is so important to silence inmates.

There is no doubt that the court judgments and consent decrees of the last 30 years have ameliorated some of the worst conditions and abuses in U.S. prisons. The results have been dramatic and much more expensive than damages awarded to individual inmates. The case of the Texas DOC is illustrative. The Ruiz lawsuit fundamentally changed the operations of Texas prisons. In 1981, after a lengthy trial in which 349 witnesses testified about prison conditions and practices, Judge Justice ordered improvements, set deadlines, and appointed a special master to supervise compliance. In 1982, the Texas DOC agreed to discontinue the building tender program and began to hire more guards, significantly expanding the state payroll. To address the issue of overcrowded and outdated

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buildings, Texas began a vast prison construction program in the late 1980s, which continued throughout the decade. During the 1990s alone, 70 new prison units were constructed, adding 108,597 beds to the system, and the DOC staff expanded from 22,332 to 40,081. The Texas DOC operating budget for 1990-1999 was \$15.8 billion. This did not include an additional \$1.8 billion in prison construction bonds that were passed by voters during the period. But despite these expenditures and because of rising incarceration rates, the Texas prison system continued to operate at or above capacity and was unable to meet many of the court-ordered improvements.

The Texas experience was not unique. The U.S. Department of Justice reported that in 1995 a total of 456 correctional facilities across the nation (31 percent of the total) were under state or federal court order for the totality of conditions, to limit population, or for specific conditions of confinement.

It is in the arena of court orders and consent decrees that the political agenda of the PLRA becomes clear. The PLRA restricts the settlement of prison litigation by consent decree and limits the life span of any court order or consent decree, even existing ones, to two years. Texas provided an important test case for the new law. In the three years prior to passage of the PLRA, the prison population of Texas increased 142 percent, leading to conditions that clearly violated several restrictions imposed by Judge Justice. As soon as the PLRA became law, the Texas Attorney General demanded the application of the time limitation of the statute to the Ruiz case. Judge Justice responded by declaring the PLRA unconstitutional, but the 5th Circuit Court of Appeals reversed his ruling and remanded the case to him. In 2001, the Ruiz case was settled, and federal oversight of the Texas prison system was terminated. It should come as no surprise that, with the help of then Governor George W. Bush and his general counsel, members of the Texas Republican congressional delegation drafted key portions of the PLRA dealing with court judgments and decrees and intervened openly in the Ruiz case.

The nationwide impact of the PLRA on court-ordered changes in prison operations has been significant. During the first five years under the new law, the number of state and federal correctional facilities under court order or consent decree was reduced by 22 percent (down to 357 in 2000). The impact on state prisons was especially significant. Between 1995 and 2000, the number of state prisons under court order to limit prison population dropped from 216 to 119 (45 percent), and orders to relieve crowded conditions were down from 208 to 98 (53 percent). Court orders affecting

prison medical facilities dropped 51 percent.

The state of Michigan offers a good example of what is at stake in the medical arena. In 1998, Michigan was appealing two ongoing consent decrees under PLRA, hoping to save money. For the fiscal year 1997-1998, the state budget appropriation dedicated specifically to cover the additional costs of the consent decrees was \$100,627,800. Michigan legislators were eager to reclaim this money but were disappointed. The problem was that 79 percent of this money was spent on mental health care for inmates, and, even if both consent decrees were terminated, the state would still have to continue offering mental health services or risk a new round of litigation if it let psychiatric services deteriorate to a condition which violated the federal rights of prisoners. A fiscal analyst warned legislators that the actual savings from PLRA might be only a paltry \$10 million, far less than the annual appropriations for consent decree operations. The fact that so many prisons have become de facto mental institutions for the poor has, so far, frustrated the purposes of the PLRA in this arena.

The restrictions on consent decrees and court judgments in the PLRA have affected inmate litigation beyond the procedural changes. For example, during the initial five-year period of the law, the number of state facilities under court order to provide library services dropped from 126 to 33. This was a devastating blow to prison litigators, 95 percent of whom represent themselves and must research and write their own legal papers. Several states have actually closed their law libraries and auctioned the books on eBay for a fraction of their value.

Although the primary targets of the PLRA were the federal and state DOCs, the law has had widespread impact on the local level as well. In direct response to the act, U.S. District Judge Norma L. Shapiro closed the books on *Harris v. City of Philadelphia*, a jail-overcrowding lawsuit filed in 1982. She put her reservations about the dictated settlement on record: "It is with some concern that the court will approve this settlement. After eighteen years, the population of the Philadelphia Prison System has nearly doubled. Although new facilities have been, and are being built, they are immediately filled beyond capacity."

Political conservatives celebrate the PLRA as a victory for the sovereignty of state and local governments and have recommended that states enact similar legislation. So far, New York, Pennsylvania, and Wyoming have done so, and initiatives are underway in several other states. After the final Ruiz ruling in 2001, one of the members of the Texas Republican congressional delegation proclaimed to his constituency, "We have just won a significant battle against Judge

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William Wayne Justice in our struggle to regain control over Texas prisons."

Political rhetoric aside, a serious analysis of the PLRA reveals the conservative victory for what it is—a legislative maneuver to raise the ceiling on incarceration and seriously restrict outside control over conditions of confinement in U.S. prisons. This legislation facilitates higher rates of incarceration at lower cost than during the pre-PLRA period with no regard for the human consequences. And the consequences will be dire—a return to a "hands off" prison policy will reverse the modest gains prisoners have won in the past 30 years and return the system to darker days. Progressive judges, like Justice and Shapiro, who have been monitoring U.S. prisons over these 30 years, already see the problems returning, but because of the PLRA they are powerless to intervene.

The PLRA is clearly a political vehicle for the powerful to continue using incarceration as a solution to the economic and social dislocations produced by postindustrial capitalism. The boast of "taking back the prisons" is a thin smokescreen for mass incarceration and intensified repression in the criminal justice system. Through the PLRA, the political right is silencing the voices of prisoners and tightening the hold of reactionaries on the machinery of government.

The PLRA, following 30 years of liberal judicial intervention in U.S. prisons, is a prime example of Marx's observation that reform in the bourgeois state, including prison reform, is always reform by the bourgeoisie for the bourgeoisie. The PLRA illustrates for us the important lesson that bourgeois prison reform must never be confused with the revolutionary prison reform that will render the prison system we know today a grotesque relic of human history.

The history and impact of the PLRA is both instructive and alarming—there are more of these reforms on the reactionary agenda for the United States. They target everything from court-ordered education for special needs children and shelter for the homeless to legal attacks on citizen access to the courts and the fundamental right of *habeas corpus* in order to make the death penalty more "effective." Make no mistake about it. The political assault by conservatives on the poor and working people is in full swing.

Why Socialism?

ALBERT EINSTEIN

Is it advisable for one who is not an expert on economic and social issues to express views on the subject of socialism? I believe for a number of reasons that it is.

Let us first consider the question from the point of view of scientific knowledge. It might appear that there are no essential methodological differences between astronomy and economics: scientists in both fields attempt to discover laws of general acceptability for a circumscribed group of phenomena in order to make the interconnection of these phenomena as clearly understandable as possible. But in reality such methodological differences do exist. The discovery of general laws in the field of economics is made difficult by the circumstance that observed economic phenomena are often affected by many factors which are very hard to evaluate separately. In addition, the experience which has accumulated since the beginning of the so-called civilized period of human history has—as is well known—been largely influenced and limited by causes which are by no means exclusively economic in nature. For example, most of the major states of history owed their existence to conquest. The conquering peoples established themselves, legally and economically, as the privileged class of the conquered country. They seized for themselves a monopoly of the land ownership and appointed a priesthood from among their own ranks. The priests, in control of education, made the class division of society into a permanent institution and created a system of values by which the people were thenceforth, to a large extent unconsciously, guided in their social behavior.

But historic tradition is, so to speak, of yesterday; nowhere have we really overcome what Thorstein Veblen called “the predatory phase” of human development. The observable economic facts belong to that phase and even such laws as we can derive from them are not applicable to other phases. Since the real purpose of socialism is precisely to overcome and advance beyond the predatory phase of human development, economic science in its present state can throw little light on the socialist society of the future.

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Second, socialism is directed towards a social-ethical end. Science, however, cannot create ends and, even less, instill them in human beings; science, at most, can supply the means by which to attain certain ends. But the ends themselves are conceived by personalities with lofty ethical ideals and—if these ends are not stillborn, but vital and vigorous—are adopted and carried forward by those many human beings who, half unconsciously, determine the slow evolution of society.

For these reasons, we should be on our guard not to overestimate science and scientific methods when it is a question of human problems; and we should not assume that experts are the only ones who have a right to express themselves on questions affecting the organization of society.

Innumerable voices have been asserting for some time now that human society is passing through a crisis, that its stability has been gravely shattered. It is characteristic of such a situation that individuals feel indifferent or even hostile toward the group, small or large, to which they belong. In order to illustrate my meaning, let me record here a personal experience. I recently discussed with an intelligent and well-disposed man the threat of another war, which in my opinion would seriously endanger the existence of mankind, and I remarked that only a supra-national organization would offer protection from that danger. Thereupon my visitor, very calmly and coolly, said to me: "Why are you so deeply opposed to the disappearance of the human race?"

I am sure that as little as a century ago no one would have so lightly made a statement of this kind. It is the statement of a man who has striven in vain to attain an equilibrium within himself and has more or less lost hope of succeeding. It is the expression of a painful solitude and isolation from which so many people are suffering in these days. What is the cause? Is there a way out?

It is easy to raise such questions, but difficult to answer them with any degree of assurance. I must try, however, as best I can, although I am very conscious of the fact that our feelings and strivings are often contradictory and obscure and that they cannot be expressed in easy and simple formulas.

Man is, at one and the same time, a solitary being and a social being. As a solitary being, he attempts to protect his own existence and that of those who are closest to him, to satisfy his personal desires, and to develop his innate abilities. As a social being, he seeks to gain the recognition and affection of his fellow human beings, to share in their pleasures, to comfort them in their sorrows, and to improve their conditions of life. Only the existence of these varied, frequently conflicting, strivings accounts for the special character of a man, and their specific combination determines the extent to which an individual can achieve an inner equilibrium and can contribute to the well-being of

society. It is quite possible that the relative strength of these two drives is, in the main, fixed by inheritance. But the personality that finally emerges is largely formed by the environment in which a man happens to find himself during his development, by the structure of the society in which he grows up, by the tradition of that society, and by its appraisal of particular types of behavior. The abstract concept "society" means to the individual human being the sum total of his direct and indirect relations to his contemporaries and to all the people of earlier generations. The individual is able to think, feel, strive, and work by himself; but he depends so much upon society—in his physical, intellectual, and emotional existence—that it is impossible to think of him, or to understand him, outside the framework of society. It is "society" which provides man with food, clothing, a home, the tools of work, language, the forms of thought, and most of the content of thought; his life is made possible through the labor and the accomplishments of the many millions past and present who are all hidden behind the small word "society."

It is evident, therefore, that the dependence of the individual upon society is a fact of nature which cannot be abolished—just as in the case of ants and bees. However, while the whole life process of ants and bees is fixed down to the smallest detail by rigid, hereditary instincts, the social pattern and interrelationships of human beings are very variable and susceptible to change. Memory, the capacity to make new combinations, the gift of oral communication have made possible developments among human beings which are not dictated by biological necessities. Such developments manifest themselves in traditions, institutions, and organizations; in literature; in scientific and engineering accomplishments; in works of art. This explains how it happens that, in a certain sense, man can influence his life through his own conduct, and that in this process conscious thinking and wanting can play a part.

Man acquires at birth, through heredity, a biological constitution which we must consider fixed and unalterable, including the natural urges which are characteristic of the human species. In addition, during his lifetime, he acquires a cultural constitution which he adopts from society through communication and through many other types of influences. It is this cultural constitution which, with the passage of time, is subject to change and which determines to a very large extent the relationship between the individual and society. Modern anthropology has taught us, through comparative investigation of so-called primitive cultures, that the social behavior of human beings may differ greatly, depending upon prevailing cultural patterns and the types of organization which predominate in society. It is on this that those who are striving to improve the lot of man may ground their hopes: human beings are not condemned, because of their biological constitution, to annihilate each

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other or to be at the mercy of a cruel, self-inflicted fate.

If we ask ourselves how the structure of society and the cultural attitude of man should be changed in order to make human life as satisfying as possible, we should constantly be conscious of the fact that there are certain conditions which we are unable to modify. As mentioned before, the biological nature of man is, for all practical purposes, not subject to change. Furthermore, technological and demographic developments of the last few centuries have created conditions which are here to stay. In relatively densely settled populations with the goods which are indispensable to their continued existence, an extreme division of labor and a highly-centralized productive apparatus are absolutely necessary. The time—which, looking back, seems so idyllic—is gone forever when individuals or relatively small groups could be completely self-sufficient. It is only a slight exaggeration to say that mankind constitutes even now a planetary community of production and consumption.

I have now reached the point where I may indicate briefly what to me constitutes the essence of the crisis of our time. It concerns the relationship of the individual to society. The individual has become more conscious than ever of his dependence upon society. But he does not experience this dependence as a positive asset, as an organic tie, as a protective force; but rather as a threat to his natural rights, or even to his economic existence. Moreover, his position in society is such that the egotistical drives of his make-up are constantly being accentuated, while his social drives, which are by nature weaker, progressively deteriorate. All human beings, whatever their position in society, are suffering from this process of deterioration. Unknowingly prisoners of their own egotism, they feel insecure, lonely, and deprived of the naïve, simple, and unsophisticated enjoyment of life. Man can find meaning in life, short and perilous as it is, only through devoting himself to society.

The economic anarchy of capitalist society as it exists today is, in my opinion, the real source of the evil. We see before us a huge community of producers the members of which are unceasingly striving to deprive each other of the fruits of their collective labor—not by force, but on the whole in faithful compliance with legally established rules. In this respect, it is important to realize that the means of production—that is to say, the entire productive capacity that is needed for producing consumer goods as well as additional capital goods—may legally be, and for the most part are, the private property of individuals.

For the sake of simplicity, in the discussion that follows I shall call “workers” all those who do not share in the ownership of the means of production—although this does not quite correspond to the customary use of the term. The owner of the means of production is in a position to purchase the labor power of the worker. By using the means of

production, the worker produces new goods which become the property of the capitalist. The essential point about this process is the relation between what the worker produces and what he is paid, both measured in terms of real value. Insofar as the labor contract is "free," what the worker receives is determined not by the real value of the goods he produces, but by his minimum needs and by the capitalists' requirements for labor power in relation to the number of workers competing for jobs. It is important to understand that even in theory the payment of the worker is not determined by the value of his product.

Private capital tends to become concentrated in few hands, partly because of competition among the capitalists, and partly because technological development and the increasing division of labor encourage the formation of larger units of production at the expense of smaller ones. The result of these developments is an oligarchy of private capital the enormous power of which cannot be effectively checked even by a democratically organized political society. This is true since the members of legislative bodies are selected by political parties, largely financed or otherwise influenced by private capitalists who, for all practical purposes, separate the electorate from the legislature. The consequence is that the representatives of the people do not in fact sufficiently protect the interests of the underprivileged sections of the population. Moreover, under existing conditions, private capitalists inevitably control, directly or indirectly, the main sources of information (press, radio, education). It is thus extremely difficult, and indeed in most cases quite impossible, for the individual citizen to come to objective conclusions and to make intelligent use of his political rights.

The situation prevailing in an economy based on the private ownership of capital is thus characterized by two main principles: first, means of production (capital) are privately owned and the owners dispose of them as they see fit; second, the labor contract is free. Of course, there is no such thing as a *pure* capitalist society in this sense. In particular, it should be noted that the workers, through long and bitter political struggles, have succeeded in securing a somewhat improved form of the "free labor contract" for certain categories of workers. But taken as a whole, the present day economy does not differ much from "pure" capitalism.

Production is carried on for profit, not for use. There is no provision that all those able and willing to work will always be in a position to find employment; an "army of unemployed" almost always exists. The worker is constantly in fear of losing his job. Since unemployed and poorly paid workers do not provide a profitable market, the production of consumers' goods is restricted, and great hardship is the consequence. Technological progress frequently results in more unemployment rather than in an easing of the burden of work for all. The profit motive, in

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conjunction with competition among capitalists, is responsible for an instability in the accumulation and utilization of capital which leads to increasingly severe depressions. Unlimited competition leads to a huge waste of labor, and to that crippling of the social consciousness of individuals which I mentioned before.

This crippling of individuals I consider the worst evil of capitalism. Our whole educational system suffers from this evil. An exaggerated competitive attitude is inculcated into the student, who is trained to worship acquisitive success as a preparation for his future career.

I am convinced there is only *one* way to eliminate these grave evils, namely through the establishment of a socialist economy, accompanied by an educational system which would be oriented toward social goals. In such an economy, the means of production are owned by society itself and are utilized in a planned fashion. A planned economy, which adjusts production to the needs of the community, would distribute the work to be done among all those able to work and would guarantee a livelihood to every man, woman, and child. The education of the individual, in addition to promoting his own innate abilities, would attempt to develop in him a sense of responsibility for his fellow men in place of the glorification of power and success in our present society.

Nevertheless, it is necessary to remember that a planned economy is not yet socialism. A planned economy as such may be accompanied by the complete enslavement of the individual. The achievement of socialism requires the solution of some extremely difficult socio-political problems: how is it possible, in view of the far-reaching centralization of political and economic power, to prevent bureaucracy from becoming all-powerful and overweening? How can the rights of the individual be protected and therewith a democratic counterweight to the power of bureaucracy be assured?

Clarity about the aims and problems of socialism is of greatest significance in our age of transition. Since, under present circumstances, free and unhindered discussion of these problems has come under a powerful taboo, I consider the foundation of this magazine to be an important public service.

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Social Responsibility and the Poet

KIMBERLY BIRD

Estelle Gershgoren Novak, *Poets of the Non-Existent City: Los Angeles in the McCarthy Era* (Albuquerque: University of New Mexico Press, 2002) 294 pages, hardcover \$35.00, paperback \$19.95.

In the past year, poets from all over the world have started taking their historic job description and social responsibility as privileged seers and forward thinkers quite seriously. Numerous antiwar anthologies have appeared including *Poets Against the War*, edited by Sam Hamill (Nation Books, 2003); the free and downloadable *100 Poets Against the War*, edited by Todd Swift (<http://www.nthposition.com>); and *Enough, An Anthology of Poetry and Writings Against the War*, edited by Rick London and Leslie Scalapino (O Books, 2003). Regional and international antiwar anthologies have come from Australia, Canada, France, Germany, Norway, Oregon, Portugal, Spain, Sweden, Switzerland, Vietnam, and the United Kingdom. Oppositional poetry readings have abounded, and Internet sites collecting this type of poetry are overflowing. Hamill's print anthology was a byproduct of the Poets Against the War project that collected over 12,000 poems on its Web site (<http://poetsagainsthewar.org>) and then delivered those poems as a show of opposition to members of the U.S. Congress in March, 2003.

Critics, reviewers, and the poets themselves have linked this poetic political engagement with similar activity that took place in the 1960s and, specifically, in the movement to end the Vietnam War. The 1960s are an obvious choice for thinking about the origins of this tradition of politically engaged cultural rebellion, especially since some of the poets were as active then as they are now. The

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fifties are not such an obvious choice in thinking about this tradition, largely because of the prevailing interpretation of that generation as silent or silenced. This was the era that gave rise to what Estelle Gershgoren Novak exposes as a politically disengaged beat movement and an all-too-politically engaged McCarthyism with its direct and indirect censorship. Yet, Novak's *Poets of the Non-Existent City* makes it clear that 1960s poetry activism did not emerge spontaneously. Not only were there poets in the fifties standing up to the threats of the House Un-American Activities Committee (HUAC), but some of them lived and wrote in the least likely place of all: Los Angeles. Nineteen-fifties Los Angeles; the home of Hollywood and screenwriters, of black listing, of selling out or being destroyed. But, poetry?

Poets of the Non-Existent City is like a defiant foot kicked just in time inside the door of history to preserve a space for a group of poets who otherwise might have been lost forever to historical memory. The book takes as its focus two Los Angeles literary publications: *The California Quarterly*, published from 1951 to 1956 and *Coastlines*, published from 1955 to 1964. Novak points out that most small literary magazines did not last more than a few years. *California Quarterly* lasted almost six and *Coastlines*, a remarkable ten. Taking the two together as part of a continuum, as Novak does, makes their combined lifespan even more impressive and their importance to literary history apparent. Yet this story is not just about the two journals but also about the poetry communities that developed around them and the political climate they were up against.

The organization of this anthology is unconventional. Novak begins with a detailed and illuminating documentary essay followed by chapters for each of the 20 poets she includes. These chapters consist not only of poetry but also graphic images and quotations from interviews, letters, articles, and book reviews. As a result, the chapters individually and collectively unfold the story of the scenes surrounding these two literary publications. It is a story of poetry community building and of the transition from the Old Left to the beginnings of the New Left. Novak explains that "*Coastlines* moved poetry in Los Angeles toward the sixties, pushing the individual into the midst of the social without the negativism that accompanied the beats and the disaffiliates, but also without the restrictive and sectarian quality of much of the earlier radical literature" (13).

The book also provides glimpses of rivalries within the L.A. area as well as between southern and northern California. It is the story of a specific localism summed up by *Coastlines* contributor and one-time poetry editor Alvaro Cardona-Hine when he writes in a

letter to Novak, "Friendship, youth, poetry and the immensity and heat of Los Angeles: not a bad thing to have lived through; a local phenomenon less gaudy and effective than the Beat movement further to the north, but a world with intense resolutions of its own, its own kind of lyricism and of social involvement" (198).

Novak writes as an insider. She was associated with poets from both magazines and published her first poems in *Coastlines* when she was nineteen years old (218). In compiling this anthology, she draws from her own experiences but supplements those experiences with extensive interviewing and archival work. Other pieces of the puzzle she assembles are also from the perspective of insiders. These include poetry, artwork, and editorials featured in the magazines as well as comments made by the poets about their colleagues. This may be a weakness of the book, but it also adds to our understanding of how the group functioned, related to one another, and understood their position in the world and in history. The book will be important to those wishing to understand the cultural history of California, those seeking to explore the historical relationship between poetry and politics in the United States, and those desiring to understand the full extent of the damage done by McCarthyism.

The central figure in this story is Thomas McGrath, a founding editor and contributor to *California Quarterly* and mentor and teacher to the younger group starting *Coastlines*. McGrath was deeply concerned with the possibilities and responsibilities for poets to be engaged in the world of social and political repression. He paid dearly for this stance by being called twice to testify before HUAC and being fired from his teaching position at Los Angeles State College. In his preface to his collection of poetry entitled *Witness to the Times* (1953), he wrote "The poet always has this task, it seems to me: to bear witness to the times; but now especially when the State is trying by corruption, coercion, and its own paltry terror to silence writers, or dupe them or convert them into the bird sanctuaries of public monuments—now especially the artist should be responsible to the world" (25). McGrath shared this belief in the poet's social responsibility with *California Quarterly's* other founding editors, Philip Stevenson and Lawrence Spingarn.

The *Quarterly* poets and their circles, which included Naomi Replansky, Edwin Rolfe, and Don Gordon among others, were heavily influenced by the tragedies of the Great Depression, the Spanish Civil War, and the Second World War. While within this group there is diversity of subject matter and form, many of the poems Novak includes speak directly out of these historical experiences, and the work of these three poets serve as excellent examples.

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Naomi Replansky joined the Communist Party during the depression and worked briefly for Bertolt Brecht translating lyric poems. Many of her own poems reflect her sympathy with workers that came undoubtedly from the teachings of the party but also from her own experience holding various working-class jobs throughout her life. Replansky's "Night Prayer for Various Trades" seems to pare down the Marxist slogan demanding "eight hours for work, eight hours for rest, and eight hours for what we will." Here Replansky prays for just some amount of sleep that is not made restless by the flashbacks of the repetitive work of the day. She writes,

Machinist in the pillow's grip,
Be clumsy and be blind
And let the gears spin free, and turn
No metal in your mind.

...
Laborer, drift through a dark
Remote from clay and lime.
O do not tunnel through the night
In unpaid overtime. (103)

Replansky is not the only *Quarterly* poet concerned with sleep disrupted by the struggles of the world. Edwin Rolfe, over whose poetry the experiences of fighting in the Spanish Civil War "hovered...like a lost mistress" (26), writes in "Sentry" of the particular waking dreams of the sentry standing guard in wartime. The poem suggests that this experience of war haunts the surviving soldiers long after the war has ended. He writes,

Asleep, breathing like an enormous child,
wounded, but soothed by the cool salve of night,
the army lies exhausted on its stony bed,
its lonely eyes clear on the outpost, envying the sleepers,
dreaming the special waking dream of solitary sentries,
but tense, fearing the naked knife in each blurred shadow.(84)

Highlighting a different experience of warfare, former Communist and Screen Readers Guild organizer, Don Gordon uses his poem "The Dissenter" to capture the particular climate of McCarthyism. He describes this era as the time when "dangerous thoughts are exported on the outgoing tide" and "The iron cells multiply like the amoeba; / the nucleus / In each is a man who does not agree / with the warden." But for Gordon there seems always to be a Marxist hope for social change to rise up out of oppression despite these McCarthyite "hunters" and "wardens" and despite the fact of the

atom bomb and its burning cloud of world-changing destruction. The poem ends with the lines,

They need an enemy to tear apart
in the mad season
When the air is burning and the cloud
signals unbearable change.
The dissenter is born alive on the edges
of the weather. (93)

All three of these poets, and others published in the *Quarterly* also made appearances in *Coastlines*; yet, the two magazines were different. *Coastlines* published radical poets, but unlike the *Quarterly*, it did not identify itself as a radical magazine. The younger *Coastlines* editors did not live through the shaping experiences of the older editors and so separated themselves from Old Left thinking characteristic of the *Quarterly* even as they were deeply influenced by those editors. It is important to note also that the two magazines did have one editor, Eugene Frumkin, in common. While the *California Quarterly/Coastlines* group cannot be considered a cohesive "movement" in the sense of poets sharing a similar poetics or style of writing, or of conceiving a magazine, they certainly shared a tradition of social consciousness and a view of the responsibility of the poet to participate and speak out about the events and atrocities of their era.

In "A Crow Black With Purpose," Mel Weisburd, founding editor of *Coastlines* and student of McGrath, struggles self-consciously with the relevance of writing poetry to effect social change at a time when self-expression is a dangerous act. He writes,

I dream here in the green shade of how poetry should
Retaliate from my pen,
Like white ski-soldiers camouflaged on a white field of snow—
Except by the tracks,
I see how poetry wanders afield and loses the argument. (146)

The poem ends with a kind of unconvinced hope for an Old Left style uprising in the lines,

I do not have
An inkling of what my fellows are writing
At the moment,
Or when they shall rise to the light like these moths.
They are just as
Preposterous as myself, sitting and thinking and writing.
A time will come though

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When my neighbors must think. It will be either too late,
Or just a little
Before it is too late—in time, when thought will
Set the thinking
Mass ablaze, and we will break our appetite with our will.(147)

Eugene Frumkin, who was founding editor of *Coastlines* along with Weisburd, also experiments with the relationship of poetry and politics. In a comment that accompanies his poem, "The Debt," Frumkin writes: "This poem of mine is an attempt to make an important event of our time a personal matter" (175). He takes a long historical view of the Cuban people, going beyond the revolution and the U.S. government's "ignorant floundering." The final stanza reads,

People, ploughed like the soil.
Because they are the hands of my clock
I must wear their clothes,
eat their food, think their thoughts
or I will forget
—forget I owe them doleskin slippers,
grapes and apples, cigars, wine, poems. (175)

Novak does an excellent job of situating these L.A. poets in the literary historical moment in a way that sheds light on the different literary camps while refusing to treat the literary realm as separate from everyday life and world events. Although the beats are typically portrayed as rebellious social outsiders, the *California Quarterly/Coastlines* poets saw through this misleading rebel status and resented the beats' self-serving avoidance of political issues. In addition, the L.A. poets did not embrace the dominant Modernist emphasis on the "new" as the key to writing interesting poetry. Rather, Novak highlights the alignment of these poets with the ideals of social movements from the thirties and forties and with the sentiments of radical European intellectuals taking refuge in California beginning in the thirties including Bertolt Brecht and André Breton. In sum, the *Coastlines* poets placed high value on poetry that had been influenced by those who came of age in the thirties but that spoke directly to the circumstances of the fifties.

By including examples of the graphic contributions to *California Quarterly* and *Coastlines* and through her discussion of the alliances, marriages, and collaborations among these poets and other artists and musicians, Novak also situates this group within another nearly forgotten tradition taking root in the fifties and blossoming in the decades that follow. At this time, many poets and artists were collaborating to combine art forms and media in ways that

challenged the separation of the arts into distinct institutional disciplines and placed poetry as the center and driving force. Novak explains that "During the years following World War II, Los Angeles was the place where poetry, art, music, and film made connections"(11). The *California Quarterly/Coastlines* poets were not crossing disciplinary boundaries in their poetry, but the pages of their magazines and their conception of poetry events reflect an understanding of the power of uniting expressive art forms especially at a time when all expression was subject to governmental scrutiny.

Novak is careful not to reduce the entire spectrum of poetry scenes in Los Angeles in the fifties to the poets she includes in this anthology. She explains that there were too many gathering places for poets at this time to even list in her book. Cardona-Hine expands on this point when he writes, "The people I knew and participated with were only one part of what was happening in Los Angeles. The poetic world of that city could never be contained by a single attitude or approach or known by a single person. It was peculiarly evanescent and diffused, like the weather and the odor of its hills of broken-up quartz and manzanita" (198). Cardona-Hine alerts us to the incompleteness of our knowledge of poetry communities in Los Angeles in the fifties and suggests the extent to which we in the United States are ignorant of the left side of our national literary heritage.

The *California Quarterly/Coastlines* poets occupied only a small space in Los Angeles, and McCarthyism helped reduce this space considerably by taking away jobs and forcing relocations for several of the key poets. McCarthyism also played a role in limiting the space in our historical memory for poets like these. Yet, Novak's anthology shows that despite these limitations and threats, this poetry bloomed with social critique, witness bearing, and alternative visions for the future. Perhaps, Naomi Replansky's poem "Housing Shortage," included in this anthology, expresses best this peculiar and stubborn relationship between political repression and persistent hope for a better society:

Excuse me for living,
 But, since I am living,
 Given inches, I take yards,
 Taking yards, dream of miles,
 And a landscape, unbounded
 And vast in abandon.

And you dreaming the same. (102)

Self-Reflection and Revolution

ASTRA TAYLOR

Roxanne Dunbar-Ortiz, *Outlaw Woman: A Memoir of the War Years, 1960-1975* (San Francisco: City Lights, 2002) 411 pages, \$17.95 paperback.

This summer I moved into an old house in the Catskills full of the random possessions of those who have used it as a retreat since it was built in the 1920s. With most of my books in storage and no television I entertained myself by reading a stack of *Time* magazines from the late sixties and early seventies that I found in a trunk in the small attic. Flipping through them nearly every evening, I enjoyed countless articles about the hippies, the Yippies, Richard Nixon, the Black Panthers, and the inevitable revolution on America's horizon. I read the ongoing coverage of the Chicago Eight (turned Seven) trial, sensational portraits of California's fringe cultures, and panic-stricken reports of the now too-often forgotten wildcat strikes of the early seventies.

But one article was my favorite, a feature piece on "women liberators," or, as they are more commonly known today, feminists: "Sexism is their target and battle cry—as racism is the blacks". They regard twentieth century America as a rigid, male-dominated society which, deliberately or more often unconsciously, perpetuates arrant inequalities between men and women—in pay, in kinds of jobs and, more subtly, self-expression." Needless to say, it seems the same still holds for twenty-first century America. But what actually first caught my attention about the article was a photograph: a ferocious looking woman caught in the glare of a flash, bravely karate-chopping at the camera. A closer look at the caption revealed the woman to be Roxanne Dunbar of "Women's Liberation hard-core Cell 16," who is described as "one of the movement's few acknowledged leaders." Roxanne is quoted only once in the three-page article, but it's a doozy: "Sex is just a commodity."

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In *Outlaw Woman: A Memoir of the War Years, 1960-1975*, Roxanne Dunbar (now Dunbar-Ortiz) tells the story of this photograph, which was, in many ways, a pivotal shot. After forming Cell 16 with a small group of other women (one of whom was Abby Rockefeller, David Rockefeller's daughter) they rapidly began to gain notoriety. The group published the seminal journal *No More Fun and Games* and emphasized self-defense (thus the Tae Kwan Doe). One night at martial arts practice an unknown individual slipped into the gym holding something silver. Dunbar, convinced it was an assailant with a knife, stared, terrified yet defiant, into what was actually the lens of a camera held by none other than the legendary photographer Diane Arbus.

Arbus's snapshot made the rounds, published in countless periodicals including *London Times Magazine*, *Life*, and, of course, *Time*, radically transforming Dunbar's relationship to the women's movement by forcing her into the spotlight as a spokesperson despite the aim of women's liberation to remain leaderless. Perhaps more significantly, the publicity raised Dunbar's profile in the eyes not only of the her comrades and the broader public, but of the FBI (the book is punctuated by the FBI's extensive and often inaccurate records of where Dunbar was, on what date, with whom, and with what intent).

Almost everyone, it seems, was threatened by women's liberation in general and by Roxanne Dunbar in particular: not just the feds, but also those in the movement. In fact, many of Dunbar's most pointed critiques were geared towards the left, which housed some of her most impassioned antagonists. Dunbar brilliantly reveals and resists the sexist assumptions of revolutionary icons from Che Guevara to Tom Hayden (who in one scene dismisses a young female comrade as a "groupie"). Many of the activists she encounters are hostile to the idea of women's liberation, dismissing it as a distraction from more important issues like the war in Vietnam or racism. Similarly, open-minded Marxists feared the "woman question" would only divide the working class, while those less sympathetic derided Dunbar's cause as "bourgeois" and even "counterrevolutionary." Indefatigable and determined, Dunbar crisscrosses the country speaking in schools and on army bases making connections between classism and sexism, militarism and patriarchy. Having assumed that the "women's liberation movement would automatically trigger connections and create female revolutionaries who would be actively antiracist, anticapitalist, and anti-imperialist," Dunbar is bitterly disappointed when she realizes this is not necessarily the case (a realization that comes after witnessing the women's movement's first round of infighting and

noticing that social and political issues such as race, class, and war were happily left off a feminist conference agenda). What is important, however, is that she continues to believe these connections are the ones that *ought* to be made and, if not triggered automatically, concludes they must be generated through the hard work of theorizing, consciousness raising, and organizing.

All of this takes place at the end of the sixties and early seventies, but when the memoir begins, the year is 1960, and there are few signs that Dunbar's life would cause so much controversy or garner such attention. In the opening scenes, picking up where her early volume, *Red Dirt: Growing Up Okie*, left off, she is 21 and fleeing Oklahoma with her first husband, Jimmy, for California. Though she heads west, Dunbar carries the legacy of her home state with her: she understands the importance of her grandfather's involvement with the Wobblies, has a first hand knowledge of being poor and working class, and wrestles with the pain caused by her alcoholic and abusive mother, a woman who was part-Native American and shunned for it. These factors certainly contribute to Dunbar's keen sensitivity to inequality that, when coupled with her natural intelligence and curiosity, made her one of the most formidable figures of the 1960s.

But at 21 Dunbar, though sensitive to the issues that would later consume her, was not aware of the full extent of her own oppression and outrage. As though driven unconsciously she enrolls in classes at San Francisco State University and begins a process of intense self-education and information, a path she seems to intuit will lead to her eventual liberation. In the meantime, she remains the perfect wife and becomes the mother to a daughter though she grows increasingly estranged from her husband. It is not until she has had a crucial encounter with Simone de Beauvoir's *Second Sex* and is safely enrolled in graduate school at Berkeley to study history that Dunbar leaves Jimmy. After this she juggles motherhood with her studies, transfers to UCLA, thwarts licentious academic advisors ("Well now I have you under my control and if I can't fuck you, I'll fuck you"), finds her first real friends, travels across the United States and abroad, and hones her interest in politics and social change.

In 1964, Dunbar participates in electoral politics for the first and last time as a supporter of LBJ's candidacy: she "had become convinced of the 'lesser evil' argument." Though unclear in her account of what caused her to change her mind, after this brief encounter with the Democratic Party Dunbar "vowed never to work on an electoral campaign" again. Instead she would "have to find other means of forcing the United States to change." *Outlaw*

Women documents the many ways that Dunbar attempted to stay true to this promise over the ensuing ten years. Whether through her anti-apartheid work with the African National Congress in Los Angeles and London, by organizing campus conferences on radical topics, or through her later involvement in Cell 16 in Boston and work as a feminist organizer and revolutionary in New Orleans, Dunbar never compromised her radical critique, though she readily questioned how best to put such a critique into action.

Dunbar's short-lived commitment to and ensuing disillusion with electoral politics, recounted in a mere two paragraphs, is key. First, it signals her dedication to complete social transformation and to working outside the system, a commitment that manifests in its most extreme form when Dunbar goes underground with an armed group in Louisiana (though no violent actions are taken, only conceived). Second, and in my opinion more importantly, it illustrates Dunbar's willingness to reevaluate her own viewpoint, to challenge herself, to change her position and not only admit it, but to actually discuss her reconsideration openly. The most compelling and instructive facet of *Outlaw Woman* is precisely this process of self-questioning and theoretical evolution that Dunbar goes through as she examines and re-examines the positions and ideologies of the New Left and the burgeoning women's movement and thoughtfully interrogates the points of convergence between sexism, imperialism, and capitalism.

This second trait sets Dunbar apart from many other figures who have revisited their sixties selves, those who loudly denounce the folly of their youth after settling into middle age. In contrast, Dunbar's memoir portrays a woman who constantly challenges herself, casting doubt on her past pronouncements and previously endorsed methods, all while the social movements of the sixties ran at full throttle as opposed to after the fact. Though constantly questioning and criticizing her own motivations and those of the movement at large, Dunbar nonetheless remains true to her fundamental idealism and deep-seated desire for social justice.

Dunbar, in other words, is not afraid to be wrong. This point is made most vividly when she writes a fiery article that she self-publishes as a special edition of *No More Fun and Games* in which she encourages activists to take up guerrilla resistance. In the midst of working as a feminist organizer and speaker, Dunbar and her coworkers agree to secure a number of safe houses in the New Orleans for members of the Black Panthers. Over time it becomes clear that the apartments will actually be used to house themselves: "gradually and imperceptibly, we ceased regarding what we were doing merely as a way of protecting political fugitives, but rather as

preparation for our own project." Following in the footsteps of groups like the Weather Underground (with whom Dunbar had many grievances throughout the book until this point), the group begins to make plans to arm themselves and sabotage industrial installations in southern Louisiana.

This is one of the most dramatic and simultaneously anticlimactic decisions Dunbar makes: she and her comrades assume false identities, store weaponry, spend an inordinate amount of time hauling guns back and forth between various safe houses, and make intricate plans that are never carried out. Going underground does grant them temporary relief from what was near-constant FBI surveillance, but the price they pay for this repose is high. Dunbar gets involved with a local who becomes abusive, and her relationships with her longtime friends become twisted by fear, insecurity, and lack of a clear purpose.

Over time Dunbar begins to question the group's tactics, having come to believe they were on a "nihilistic, even suicidal, mission" and so begins the difficult and painful process of disassembling the reality she worked so hard to construct. Coming aboveground only leads to Dunbar's arrest and another troubling stint with her abusive boyfriend, after which she moves west yet again, ultimately beginning anew in California for a second time. Her previous certainty about armed resistance now shattered, Dunbar does not hesitate to send out an anti-underground statement that directly countered her earlier essay, a thorough analysis of the "various left organizations and their sectarianism, repudiating all of them, including the strategy of urban guerrilla warfare."

In the meantime the sixties have ended, and Dunbar, like so many others, finds herself disoriented. Throughout the book Dunbar gives an incredibly detailed lesson in the unfolding chaos of the era, putting everything in its historical context and against the proper political backdrop, from the assassination of JFK to the global uprisings of 1968 to the CIA-sponsored Chilean coup. *Outlaw Woman* ends when the Vietnam War does, but life goes on. Dunbar is beginning a new phase, but with the same values. In her epilogue written in 2002, she maintains that our "project as socially conscious beings must be, as it was during the war years, nothing less than the total transformation of human societies." Dunbar-Ortiz doesn't provide a blueprint for such a plan or tell us how to act out such values, but does, at least, affirm the fact that they must somehow, and most likely imperfectly, be lived.

Commentary from _____
Monthly Review
May 2004, Vol.56, No.1

**Editors: HARRY MAGDOFF, JOHN BELLAMY FOSTER,
ROBERT W. McCHESNEY, PAUL M. SWEETZ (1910-2004),
LEO HUBERMAN (1903-1968)**

Although private corporations under capitalism have always been heavily involved in promoting war, the direct role played by the private sector in the prosecution of war has traditionally been quite limited, falling well short of the supply of combat troops. There are signs that this may now be changing. The decade and a half since the end of the Cold War has seen the rapid proliferation of private military firms, hundreds of which are now engaged in combat and combat-support operations in Iraq and throughout the globe. Some of these firms are subsidiaries of much larger multinational corporations. The private soldiers employed in this industry are mercenaries, but not of the traditional kind. They are employees of corporations that have boards of directors, are publicly traded, participate in the open market, carry out mergers, hire and fire in accordance with market criteria—and above all are not directly responsible to any public authority. In other words, these corporations and their employees are fully integrated with capitalist enterprise as a whole. This phenomenon has recently been dubbed “the corporatization of the military” by Peter Singer, a Brookings Institution analyst and author of *Corporate Warriors* (2003).

During the 1991 Gulf War there was one private soldier (or “contractor”) for every 100 regular soldiers. In contrast, in today’s occupied Iraq there is at least one private soldier for every ten regular soldiers—with 10,000–15,000 private soldiers deployed in that country alone. The United States is currently spending a gargantuan \$400 billion a year on the military. Yet the market revenue of the private military industry has already risen to about a quarter of that total and is skyrocketing.

The killing by the Iraqi resistance on March 31 of four private military contractors working for Blackwater USA (most of whom were former U.S. special operations personnel), and the subsequent mutilation of their corpses by an angry population, brought international attention to the growth of private military firms. Blackwater’s operations in Iraq include a contract to provide the security guards that protect the U.S. proconsul, L. Paul Bremer III. It has also used a subcontractor to hire former members of the Chilean military to help guard Iraqi oil fields—including some that served under Chilean dictator Auguste Pinochet. The chief private military contractor operating in Iraq is Kellogg, Brown & Root

COMMENTARY

Services, a subsidiary of the Halliburton Corporation. In 1991, Secretary of Defense Dick Cheney paid Brown & Root (as it was then called) \$9 million to study how private companies could support U.S. combat operations. Later Cheney went on to become CEO of Halliburton, during which time Brown & Root emerged as one of the foremost private military firms in the United States. It was to strengthen this position, with lucrative contracts being thrown its way, after Cheney became vice president (*USA Today*, April 1, 2004). Another leading private military firm, ArmorGroup, which has 800 private soldiers in Iraq, was listed as one of *Fortune's* 100 fastest growing companies in 1999 and 2000. One of ArmorGroup's most important acquisitions is Alpha firm, based in Moscow, a privatized unit of Alpha, the former elite Soviet special forces organization, roughly equivalent to the U.S. Delta Force. ArmorGroup currently operates in more than 50 countries. Military Professional Resources Incorporated (better known as MPRI), one of the biggest and most prestigious private military firms because of its leading role in the Balkans, was purchased in 2000 by L-3 Communications, an entity spun out of military manufacturers Loral and Lockheed Martin in 1997. Vinnell Corporation, a subsidiary of Northrop Grumman, the second largest defense contractor in the United States, trains the Saudi National Guard and has been given the contract to train the New Iraqi Army. Custer Battles with 1,300 employees in Iraq has a contract to guard the Baghdad airport. Dyncorp is receiving tens of millions of dollars to train the Iraqi police force.

Behind the dramatic growth of these private military firms lies a vast shift in world power that began with the end of the Cold War. The demobilization that followed the fall of the Berlin Wall meant that states at the beginning of this century employed far fewer soldiers than in 1989. Over the same period, marked by the triumph of capitalism worldwide, the incidence of civil wars has doubled, while the total number of combat zones around the world has vastly increased (Singer, *Corporate Warriors*, p. 50). From a market perspective this means that supply and demand forces are favorable to the growth of private industry in this sector. Propelling this tendency still further is the "privatization revolution." Thus in 2002 Secretary of Defense Donald Rumsfeld declared that the Pentagon would "pursue additional opportunities to outsource and privatize" (quoted in *The Guardian*, December 10, 2003).

With conflicts breaking out in much of Africa, Asia, and Latin America and even parts of Europe, private military firms see nothing but expanding market opportunities. From a purely economic standpoint, there are relatively few barriers to entry in this sector. Private military firms employ a wide array of military specialists, drawing on a huge and growing military reserve army and luring key specialists away from the regular militaries with lucrative salary offers. Each employee is viewed as an ex-something—an ex-general, an ex-Navy Seal, an ex-combat helicopter pilot, etc., and is hired on the basis of this previous expertise. Since the specialists hired by these firms were all trained by the militaries of various states at public expense, training costs for

corporations are minimal. Also minimizing costs is the fact that a flood of weapons into the market has made large-scale killing far cheaper than ever before. Nearly the entire weapons stock of the former German Democratic Republic, for example, was auctioned off in the 1990s to the highest bidders at cut-rate prices.

Right now the number of private military firms is multiplying rapidly. But in line with the normal pattern of capital accumulation there will eventually be a shakedown of firms leading to concentration and centralization, with a relatively small number of firms, such as Kellogg, Brown & Root (Halliburton), emerging as the dominant corporate entities. Such giant private military firms will no doubt engage in their own unique version of what Schumpeter called "creative destruction." We have no way of knowing what the actual result of all of this will be. But it is difficult to avoid the conclusion that the privatization of war, if it continues to gather momentum, will contribute massively to the expansion of barbarism in the world as a whole. This after all is the basic tendency of capitalism in our time.



We have received many moving letters and tributes in response to MR founder and coeditor Paul Sweezy's death. Unfortunately, we have been so overwhelmed both by his death and the sheer magnitude of the response from MR readers that we have thus far been able to answer only a small fraction of this correspondence. We would therefore like to take this opportunity to thank all of you who have written to us about Paul. We will report next month in this space on the memorial held in New York City on April 17. We also hope to publish some of the tributes we have received in a special memorial issue on Paul's life and work scheduled for October.

(continued from inside back cover)

the foremost priority of the fascists today is to mobilize their parliamentary opponents in a common 'constitutional' campaign directed at the armed revolutionary communist organizations, now termed 'terrorists'. This campaign is well underway, and not without success in picking up support among the parliamentary opposition.

The real problems of the exploited classes must be addressed with the aim of enlightening the whole society for a deeper, more consistent, more all-embracing democracy than that of a narrowly political and technically electoral field as "the actual *solution* of those problem is not provided by voting, but by the class struggle in all its form including civil war [Lenin, *LCW* vol. 30, pg. 272]". Actual struggle must be waged outside the parliament, in the streets, fields and places of day-to-day activity for a radical change of society. In our extraordinary situation the fates of both bourgeois democracy and true popular democracy are dialectically linked. Bourgeois constitutionality would not survive the destruction of the revolutionary communist organizations carried out in its name, but would only be the next to perish at the hands of the fascists.

(continued from inside front cover)

offensive can be resisted solely through parliamentary manoeuvres ?

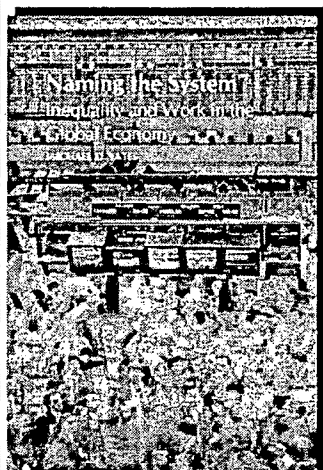
On the other hand, for example, according to Dwarakanath Rath, a left activist and trade union leader, in 'old' Ahmedabad there are quite a few bastis where Dalits and Muslims have been living together for decades. Many worked in the sprawling textile industry in Ahmedabad. With the gradual slump in the textile industry the world over and the technological changes which occurred on the shop floor, more than 90 thousand workers have lost their jobs in the last twenty years and at present less than 20,000-25,000 workers are employed there. Growing insecurities in the lives of the unemployed who are engaged in some odd jobs, the lack of any alternative arrangement to help them, and the loosening of the bonds of solidarity which existed between the poor of both the communities when they were working together have provided a *fertile ground for all sorts of real or virtual identity based organisations to flourish*. [Mainstream, 8 Feb., 2003]. Not only this, the adaptation of neo-liberal policies by the Indian ruling classes since 1991 has aggravated the situation making the life of the working class as well as a broad section of the masses more vulnerable both in towns and villages. Arundhati Roy has rightly summed up the Sangh Parivar's harvest of rage in this fertile ground: "As the state abrogates its responsibilities and withdraws funds from health, education and essential public services, the foot soldiers of the Sangh Parivar have moved in. Alongside their tens of thousands of shakhas disseminating deadly propaganda, they run schools, hospitals, clinics, ambulance services, disaster management cells. They understand powerlessness. They also understand that people, and particularly powerless people, have needs and desires that are not only practical humdrum day to day needs, but emotional, spiritual, recreational. They have fashioned a hideous crucible into which the anger, the frustration, the indignity of daily life, and dreams of a different future can be decanted and directed to deadly purpose." [The Hindu, 25 April, 2004]

Again clear parallels exist with the situation as it developed in Germany in the period 1929-1933. The atmosphere of economic distress grew as unemployment destroyed both security and solidarity in the working class. Even in the most 'red' neighborhoods of 'Red Berlin' Nazi storm troopers set up bases in neighborhood taverns. The German Communist Party at first helped to mobilize local armed self-defense, but was diverted into electoral campaigns and (largely ineffective) rallies and strikes. When after February 27th, 1933, the Nazi terror came to be allied with the police the Communist Party and its militants found themselves helpless. [See Eve Rosenhaft, *Beating the Fascists*, Cambridge University Press (1983)].

There is a difference between our situation and that of Weimar Germany that is of fundamental importance. There were no armed communist organizations with deep popular roots in large sections of Germany. Even the German Communist Party, enjoying the support of the Soviet Union, was incapable of armed resistance to fascism in the circumstances of 1933. But an outright fascist coup today in our situation would result in civil war, as the base of both revolutionary and parliamentary communist movements would inevitably coalesce. Therefore

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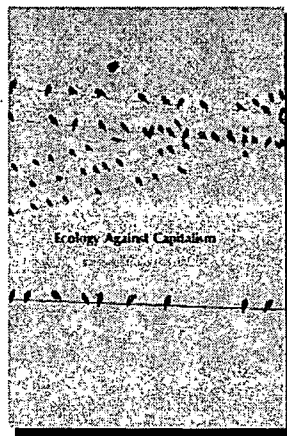
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William Hinton (1919-2004) 61

William H. Hinton died in the early morning of Saturday, 15th of May, 2004 at the age of 85. His philosophy of life is very lucidly expressed by his own words in the following excerpts—

“As we were waiting on the steps of Widener Library for the class picture, I overheard one classmate say to another:

“Good to see you, Joe. What have you been doing these fifty years?”

“If you want it in one sentence,” Joe responded, “I’ve been trying to stay out of trouble.”

I couldn’t help thinking to myself, “That certainly is not the story of my life. I’ve spent the last fifty years getting *into* trouble.”

The difference arises, perhaps, from a difference in goals. I have spent my life trying to change the world, while Joe, who is a retired naval officer, spent his on *status quo* patrol.”

From a talk delivered by William Hinton at Harvard University on June 5, 1991

[For more on William Hinton see page 61]

Is Iraq Another 'Vietnam'?

THE EDITORS OF MONTHLY REVIEW

An indication of just how bad things have become for the U.S. invaders and occupiers of Iraq is that comparisons with the Vietnam War are now commonplace in the U.S. media. In a desperate attempt to put a stop to this, President Bush intimated on April 13, in one of his rare press conferences, that the mere mention of the Vietnam analogy in relation to the present war was unpatriotic and constituted a betrayal of the troops. Yet the question remains and seems to haunt the U.S. occupation of Iraq: To what extent has Iraq become another "Vietnam" for American imperialism?

It is true that any direct comparison of the two wars points to the enormous differences between them. In Iraq the United States is not opposed, as in Vietnam, by a national liberation movement arising out of more than a century of revolutionary struggle against French and then American imperialism. The scale of the U.S. military intervention in Iraq is much smaller than in Vietnam and the number of casualties much smaller as well. The Cold War is long over. The geography of the war is different.

Nevertheless, Iraq, like Vietnam in the previous century, is coming to stand for the limits of American power. The United States is the sole remaining superpower, the greatest military power on earth. Yet its claim to omnipotence is now being shaken once again by popular resistance forces and hatred of the invader in a third world country. In April alone U.S. combat deaths in Iraq exceeded those from the beginning of the American invasion of Iraq to the fall of Baghdad—the period that was supposed to have constituted the full duration of the war. No stable political solution in Iraq that is acceptable to the United States ruling class seems possible. A military solution to the conflict does not exist. And the United States, it is frequently observed, has "no exit strategy"—if indeed it intends to exit fully at all. Under these circumstances the question of defeat once again arises, paralleling Vietnam. Although the world situation has changed dramatically one cannot help but be reminded of the lines of the Chinese *People's Daily* in 1966: "The more forces United States imperialism throws into Asia, the more will it be bogged down there and the deeper will be the grave it digs for itself" (quoted in the *New York Times*, August 31, 1966).

There is no doubt that the U.S. ruling class is acutely aware of

the Vietnam analogy and concerned that U.S. imperialism is facing another disaster, which will only get worse the longer it remains in Iraq. At the same time there is an enormous momentum driving the United States toward a continuation and escalation of the war. On April 2, 1970, at a critical point in the Vietnam War, Senator J. William Fulbright, chairman of the Senate Foreign Relations Committee, declared that the enemy "cannot drive us out of Indochina. But they can force on us the choice of either plunging in altogether or getting out altogether."* This describes the main dilemma that the United States experienced throughout the Vietnam War. It was able to plunge in deeper and deeper and did. But eventually it was compelled by its failures in the face of an implacable resistance to get out altogether—a result that was also encouraged by the growth of a massive antiwar movement at home. A similar unpalatable choice faces the United States in Iraq today. A major escalation is unacceptable to the mass of the world's population including the populations of the major U.S. allies, and is most likely unacceptable to the mass of the U.S. population itself. However, getting out altogether is unacceptable to the U.S. ruling class, which has real spoils of war to lose and is worried about the credibility of U.S. power. Under these circumstances an escalation of the war appears likely despite the global political fallout this will entail.

The general view of the U.S. power elite can be seen in a report entitled *Iraq: One Year Later* released in March by the Council on Foreign Relations. The report's task force was co-chaired by James Schlesinger, former secretary of defense under Nixon and Ford, and by Thomas Pickering, former U.S. ambassador to Russia and under secretary for political affairs in the Clinton administration. The task force as a whole included top figures in the U.S. foreign policy establishment, notably former U.S. representative to the United Nations and member of Ronald Reagan's National Security Council, Jeane Kirkpatrick, and Rand Corporation peacekeeping expert (appointed by the Clinton and Bush administrations as a special envoy to help supervise "nation-building" in Somalia, Haiti, Bosnia, Kosovo, and Afghanistan), James F. Dobbins. The report insisted on the need of the United States to maintain its strategic "commitment" to Iraq even in the context of a "transfer of authority" in order to: (1) prevent interference by Iraq's neighbors, (2) guarantee "long-term stability in the production and supply of oil," (3) block "the emergence of a failed state that could offer a haven to terrorists," and (4) avoid a U.S. "policy failure" with the

* Quoted in Harry Magdoff and Paul M. Sweezy, "The War Spreads," *Monthly Review*, May 1970.

REVIEW OF THE MONTH

“attendant loss of power and influence in the region” (p. 13). As Schlesinger and Pickering wrote in an op-ed piece in the *Los Angeles Times* (March 30, 2004), entitled “Keep Iraq Above Politics,” both the Republican and Democratic parties should “stay the course” for these very same reasons. Above all Iraq must be kept out of presidential politics: a point directed principally at John Kerry as the Democratic candidate.

The main lesson that the ruling class seems to have drawn from the war so far is that a much larger military force is needed to maintain the occupation. According to *Business Week* (April 26, 2004), “the U.S. hold on Iraq remains weak. Staying on track will require two things: more troops to maintain security, supplemented by a craftier political strategy.” In the words of Bruce Nussbaum, *Business Week’s* editorial page editor,

There is a denial [in Washington] that the military strategy going into Iraq, the Rumsfeld Doctrine, is a failure. The best hope left of establishing a stable Iraqi democracy is to replace that doctrine, which emphasizes small, light, and fast military operations, with its rival, the Powell Doctrine, devised by then Chairman of the Joint Chiefs of Staff Colin Powell. The Powell Doctrine calls for overwhelming force shaped by very clear political goals and a specific exit strategy, two things lacking today in Iraq. The failure of the Rumsfeld Doctrine in Iraq is all too clear—too few boots on the ground, too little legitimacy for America and its handpicked Governing Council, too many shifting goals, and no clear exit strategy. The result in recent weeks has been a cycle of kidnappings, ambushes, counterstrikes, death, and destruction that increasingly echoes the disaster in Vietnam....What is to be done now? A return to the Powell Doctrine would accomplish a number of key goals. Significantly higher troop levels would crush, finally, Baathist resistance and provide more security to Iraqis....The realpolitik of the Powell Doctrine would also force Washington to limit its goals and make its exit strategy clear.

Such a reversion to the Powell Doctrine would mean a massive escalation of the military force in Iraq. The United States currently has 135,000 troops in Iraq and more than 150,000 in the entire Iraqi theatre of operations, which includes Kuwait and other neighboring countries. Other coalition forces, about half of which are British, have contributed another 25,000 troops to the occupation. Nevertheless, *Business Week* writes that “analysts, such as Rand Corp. peacekeeping expert and former State Dept. special envoy James Dobbins say that as many as 400,000 troops are needed to match the peacekeeping clout used in other volatile countries. The 250,000 Iraqis the U.S. hopes to have in uniform will help, but the security services’ recent refusal to fight fellow Iraqis shows they

aren't up to the task—and won't be for at least a year." This translates into a demand for stepped-up deployment of U.S. soldiers. Where are all of these additional troops to come from? Initially, according to *Business Week*, this can be accomplished by rotating back units that have already done service in Iraq. Later on some other solution to the lack of "military manpower" must be found.

Other establishment outlets agree that a major escalation is called for. *The New York Times* (April 25, 2004) said, "This is not the moment for retreat and it certainly is not the moment for half measures." Many more troops than present administration plans call for are needed according to that publication:

Sending more troops will cause further pain to an already strained military and it means acknowledging that units now being rotated home should be sent back to Iraq. But there seems to be no other choice. Much of the current trouble could have been avoided if Mr. Rumsfeld had not been so determined to disprove the doctrine named for his rival, Secretary of State Colin Powell, which posits that force, if it is to be used at all, should be overwhelming....The United States should have had a much larger military force ready to actually occupy Iraq and restore order.

The momentum of the occupation thus points to a substantial escalation of U.S. force levels in Iraq at least in the short-term. A major goal of the United States is to create a large Iraqi military force that can confront those Iraqi nationalists currently fighting the American occupation. But so far the efforts to create a new Iraqi army on which the United States could depend to help suppress Iraqi resistance have proven ineffectual. Although the United States has allocated \$1.8 billion to the new Iraqi army so far it has managed to train less than 4,000 out of a planned 40,000 soldiers. Half of the first battalion of the new army quit late last year on the grounds that the pay was inadequate. When the second battalion was called in to help fight the Iraqi resistance in Fallujah in April many soldiers refused, saying that they had signed up to fight Iraq's foreign enemies not fellow Iraqis (*Wall Street Journal*, April 24, 2004).

One of the most serious problems for U.S. imperialism is that it views most of the Iraqi population as potential enemies of U.S. strategic interests in Iraq, and has no proimperial sector of the population to rely on for support. This contrasts with Vietnam, where a century of French colonialism had left behind a considerable urban middle- and upper-class population that allied itself with the United States once the French departed. The United States disbanded the Iraqi army at the very beginning of the occupation,

since it did not trust its Baathist elements. Yet, in the ethnic and religious context of Iraq the United States had no natural constituency to which it could turn to fill the political and military vacuum thus created. The Shiite majority is even less acceptable politically to the United States than the Sunnis with their Baathist connections, since the Shiites are closely linked to the fundamentalist Islamic state in Iran. The Kurds are mostly confined to the northern part of the country, are isolated from the rest of Iraqi society, and have conflicts with the United States over oil and with regard to Turkey. Without deep roots in any major sector of the population, U.S. imperialism is finding it extremely difficult to find the basis for a new Iraqi army to back up and ultimately substitute for U.S. forces.

All of this points to the fact that the biggest military obstacle that the United States faces in its occupation of Iraq is an acute shortage of troops. Here too the comparison with Vietnam cannot be avoided. As *MR* editors Harry Magdoff and Paul Sweezy wrote in this space in December 1969:

It is extremely important to understand that U.S. imperialism's greatest weakness is precisely a shortage of military manpower. The Vietnam war is showing that the once-widespread hope of being able to substitute technology for manpower in fighting counter-revolutionary wars is an illusion. The United States has about 3.5 million men in the armed services at the present time (the largest military establishment in the world), and of this number at least a fifth are directly or indirectly tied down by a war in one small country many thousands of miles away from home. Much of the remainder is spread thin over more than 250 military bases located in some 30 countries around the globe. Considering the fact that the United States has arrogated to itself the role of world policeman...the present extreme dissipation of military resources brought about by the Vietnam war and the world-wide system of bases leaves a perilously small strategic reserve for deployment in any new crisis areas.

In earlier capitalist empires, particularly those of the British and French, it was possible to conquer and maintain control over far-flung global possessions without recourse to conscript armies from the mother country. The chief reasons for this were the weakness of colonial resistance movements, their lack of access to modern weapons (as Hilaire Belloc said, "Whatever happens, we have got / The Maxim Gun, and they have not"), and the recruitment of soldiers from amongst the unemployed and underemployed in the advanced capitalist countries (coupled with native armies drawn from colonial territories). By the time of the Vietnam War, however, the United States had no option but to rely on conscripts to carry

out its imperial objectives. No longer were third world resistance movements politically incohesive, their capacity to obtain modern weaponry sufficient to fight a guerrilla war had increased, and a pool of unemployed in the United States adequate to maintain a volunteer army on the scale required did not exist. Still, the United States shied away from universal military service as a means of maintaining its empire. After the Vietnam War, which had shown the dangers of relying on conscripts to fight an unpopular imperialist war, the United States turned to a smaller all-volunteer military (made practicable by a larger reserve army of labor in a period of stagnation), under the renewed belief that technology could limit the need for troops on the ground.

In only a year Iraq has demonstrated this to be an illusion. The entire volunteer army scheme for maintaining the U.S. empire is in tatters. The U.S. ruling class is demanding more combat troops for Iraq and there are no forces available, given that the United States, eager to monopolize the spoils of war, chose to intervene in Iraq virtually alone, with significant support only from its much smaller British partner. The extremity of the situation was foreshadowed by a Congressional Budget Office (CBO) report submitted as testimony before the Armed Services Committee of the U.S. House of Representatives on November 5, 2003. That report indicated "the active Army would be unable to sustain an occupation force of its present size beyond about March 2004 if it chose not to keep individual units deployed to Iraq for longer than one year without relief." To maintain a "steady state" or "indefinite" occupation under present conditions, the CBO report stressed, troop levels would have to fall to the 38,000 to 64,000 level. The only other options were for the United States to alter rotation patterns (taxing the strength of its volunteer army and going against the basis on which recruitment and retention occurs); drawing heavily on Marine, National Guard, and special forces units; using financial incentives to try to get soldiers to accept another tour of duty; reducing its military deployments in the Sinai Peninsula, Bosnia, and Kosovo; and finding ways to privatize many military activities, thereby freeing up more soldiers for combat. (The growth of mercenary forces in the form of private military contractors in Iraq, now amounting to some 20,000 private soldiers, who do many of the things that the regular military used to do, is a product of this privatization strategy.) Even if its existing forces were stretched to their utmost, including much heavier use of the Marine, special forces and National Guard units for combat duty in Iraq, the CBO still estimated that forces available for the Iraqi theatre on a steady-state basis—without breaking the promise to the troops to keep

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their service in Iraq down to 12 months and without depleting force commitments elsewhere—would not be over two-thirds of the present level at best. The fact that the administration in early May announced that it would be keeping tens of thousands of troops in Iraq longer than one year, rotating some units back, is a reflection of the depth of this crisis in the available forces for the occupation.

It is in these circumstances of an acute shortage of soldiers that Congress is once again sending signals that the draft will have to be reinitiated in the United States, despite its enormous unpopularity. This is presented as a case of fairness designed to equalize the class burden of the war, which right now is falling entirely on the working class—or in establishment parlance the middle and lower classes, representing ordinary working people and the poor. “Who’s doing all the fighting?” Republican Senator Chuck Hagel of Nebraska asked on the NBC *Today* show in late April. According to Hagel the War on Terrorism is possibly “a generational, probably 25 year war” and thus should fall on all classes in the society. On the same program Joe Biden, Democratic senator from Delaware, declared that the U.S. military is too small and probably could not be brought up to its needed strength except on a conscript basis. Charles Rangel, a Democratic congressman from New York, has also come out strongly in favor of a resurrection of the draft. Ralph Nader has warned: “Today, enlistments in the Reserves and National Guard are declining. The Pentagon is quietly recruiting new members to fill local draft boards, as the machinery for drafting a new generation of young Americans is being quietly put into place. Young Americans need to know that a train is coming, and it could run over their generation in the same way that the Vietnam War devastated the lives of those who came of age in the ‘60s” (*Toronto Star*, “U.S. Weighs the Return of Military Conscription,” April 22, 2004).

Given that the Iraq War has turned against the United States even supporters of the war now are demanding that the United States have a clear exit strategy. That strategy insofar as it can be said to exist now revolves around a UN-brokered plan for what is being called “a transfer of power” to Iraqi authorities by June 30. Nevertheless, the Bush administration has indicated that they intend to keep Iraqi sovereignty “limited” in any such transfer of power. Current U.S. plans, for which it is seeking UN Security Council approval, would deny the new Iraqi caretaker government any authority to enact new laws or to alter existing laws. Hence, the new Iraqi government would be precluded from making any changes in the laws put in place since the American occupation began. The caretaker government would also be denied any authority over Iraqi

armed forces. U.S. commanders are to be in charge of both U.S. and Iraqi troops. The new government will almost certainly be denied control over the Iraqi money supply and its oil revenues. In testimony before the Senate Foreign Relations Committee on April 27, John D. Negroponte, the administration's nominee for ambassador to Iraq, assured Congress that the caretaker Iraqi government would have no authority to sign long-term oil contracts.

A disturbing sign in all of this is that while it is supposedly working on setting up a caretaker government the United States is trying to recruit thousands of former Baathist military officers in order to create the nucleus of an Iraqi army that can be used to suppress the national resistance, and possibly construct the basis for a power bloc within the country that the United States can count on. This is likely to undermine any attempt to create a political process and government acceptable to the majority Shiites, calling into question the centrality of any semblance of the democratic process in the American strategy. U.S. commitment to democracy is further called into question by scandals arising from the torture and degradation of Iraqis in Abu Ghraib prison and elsewhere, undermining what few traces of legitimacy the U.S. occupation may have had in Iraq. A sovereign Iraqi government capable of carrying out its own investigations into such atrocities is clearly out of the question for U.S. imperialism.

What is clear from all of this is that Washington is hoping to delay any substantial transfer of political control to Iraqis by denying the caretaker government any real sovereign powers. U.S. political, economic, and military goals are interrelated. Pursuit of the economic and military objectives of U.S. imperialism precludes any quick solution of the political crisis in Iraq. The primary purpose of the caretaker government, we are told, will be to set up the basis for elections leading to the installation of a supposedly genuine Iraqi government next year. In the meantime and doubtless for some time to come the real power governing Iraq will be the U.S. military. According to existing plans a U.S. withdrawal is still years away at best.

Propaganda notwithstanding, the U.S. invasion of Iraq was not meant to stop Iraq from using weapons of mass destruction (which it turned out not to have), nor was it to create a democracy in that country. The real motives of the war were to extend U.S. control over Iraqi oil supplies—the second largest reserve of oil in the world—and to create a major U.S. military presence in Iraq, probably taking the form of permanent military bases that would increase the U.S. hold over the entire Middle East. The presence of U.S. imperialism in Iraq was also supposed to help it to project its

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power beyond the Middle East into Central Asia, with its enormous supplies of oil and natural gas. These are the real spoils of war and have clearly been the primary concerns governing the U.S. intervention from the start. Any outcome that does not lead to continuing U.S. control—by a combination of economic, political, and military means—of the Iraqi oil reserves will be deemed a failure by U.S. capitalism, since such control and the geopolitical power that it represents was a major objective of the invasion. Thus General Jay Garner, the former head of the Iraq occupation authority, declared in an interview on BBC television on March 19, 2004, that privatization of oil and the promotion of a neoliberal economic model in Iraq had taken precedence in the administration plans over all else, including not only political changes but also restoring Iraqi electricity and water supplies.

According to General Garner, the model used when he took over in Iraq saw the U.S. imperial role in that country as analogous to the Philippines, which in U.S. geopolitical strategy in the early 20th century had been “in essence a coaling station” for the navy (gained through the Spanish-American War and the Philippine-American War that followed), allowing the U.S. military to project its power far into the Pacific and into Asia. In General Garner’s words, “I think...it’s a bad analogy, but I think we should look right now at Iraq as our coaling station in the Middle East, where we have some presence there and it gives a settling effect there, and it also gives us a strategic advantage there, and I think we ought to just accept that and take that for a period of time, as long as the Iraqi people are willing to allow us to be guests in their country” (www.gregpalast.com).

Such spoils of war, viewed as means to the restoration of U.S. global hegemony, will not be readily abandoned. There is every reason to believe therefore that the United States will attempt to maintain its hold on Iraq keeping it within the American Empire through a combination of military, economic and political means.

There is a further reason for the United States to continue to prosecute the war in Iraq. Anything that would appear to be a defeat would bring back the “Vietnam Syndrome”—a term coined by conservatives to refer to the popular refusal on the part of the American public to support major military interventions in third world countries following the defeat in Vietnam. The Iraq War was supposed to have marked the final recovery from the Vietnam Syndrome and the full restoration of U.S. imperial power. Now suddenly memories of the most disastrous aspects of the Vietnam War from the standpoint of U.S. imperialism (frequent guerrilla ambushes, unrelenting popular resistance, flag-draped coffins, and

U.S. atrocities) are flooding back. This loss of credibility for U.S. imperial power is rightly regarded by those at the top of U.S. society as the greatest danger raised by the present war. It also represents the ultimate reason that the U.S. war machine finds it difficult to withdraw, unless it can find some face-saving formula. All of this produces a momentum for a continuation and even escalation of the war.

Yet, there are also forces driving in the other direction. The most important of these is the growing Iraqi resistance. Another is the negative response with which U.S. allies are likely to greet any escalation of the war. Finally, there is the diminishing support for the war in the United States itself, which could translate eventually, if further escalation occurs, into a powerful antiwar movement. At that point the Vietnam War analogy would be inescapable.



When John Kerry echoes President Bush in arguing that the United States "can't cut and run" from Iraq, maybe it's time to listen to...retired Gen. William E. Odom. It is delusional, asserts the Army veteran, college professor and longtime Washington hand [who served on Carter's National Security Council and directed Reagan's National Security Agency] to believe that "staying the course" can achieve President Bush's goal of reordering the Middle East by building a friendly democracy in Iraq...."We have failed," Mr. Odom declares bluntly. "The issue is how high a price we're going to pay....Less by getting out sooner, or more, by getting out later?"....The longer U.S. troops hang tough, he reasons, the more isolated America will become. That in turn will place increasing strain on international economic and security institutions that have undergirded the emergence of "America's Inadvertent Empire," as Mr. Odom's latest book calls it. "I don't know that the UN, the IMF, the World Bank, [or] NATO can survive this," he says.

—"Former General sees 'Staying the Course' in Iraq as Untenable," *Wall Street Journal*, April 28, 2004

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Soldiers for Hire

HUCK GUTMAN

During the era of colonial expansion, trading entities such as the Dutch and English East Indies Companies operated as near sovereign powers, commanding armies and navies larger than those in Europe...These firms dominated in non-European areas considered beyond the accepted boundaries of the sovereign system, such as the Indian subcontinent, where local capabilities were weak and transnational companies the most efficiently organized units.—Peter W. Singer

The situation in Iraq is going badly for the occupying U.S. forces. Despite a staged-for-television proclamation of victory aboard an aircraft carrier in the Pacific Ocean last year, President Bush has recently found his policies, from spurious reasons for waging war against Iraq, to the badly bungled early occupation, to politically-inspired deadlines for handing over “authority” to an as yet nonexistent Iraqi government, criticized more and more frequently.

We live in an age of television, and so it was a televised event that precipitated the current sense of political siege and crisis within the White House. Four Americans were ambushed as they drove through Fallujah in north-central Iraq. They were killed, dragged from their vehicle, set afire, and dismembered. The charred remains of one body were hung from a bridge; those of another were dragged behind a car for 50 kilometers.

The broadcasts of these events were “read” very differently in West Asia than in the United States. In West Asia, despite the horrendous brutality of the Iraqi mob—even in warfare, even in great enmity, human tradition demands respect for the bodies of the slain—many cheered the pictures as signs that U.S. power was vulnerable and capable of being attacked. Their response was understandable: the world’s sole superpower seemed, as images

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flashed across the television screen, to be unable to ward off attacks from indignant and angry civilians. The power of the street met the power of a mechanized, automated army, and for a few minutes at least, the street won.

U.S. reaction was shock. The images were indeed brutal, and the multiple violations—of the safety of American persons, of civilized norms of behavior, and ultimately of U.S. supremacy and invulnerability—were shocking to the U.S. public. The Bush administration kept quiet, for what could the president say: his victorious war no longer looked victorious, not when images of the barbaric treatment of Americans flashed on the television screen. It was a very tough day in the White House.

As the world knows, the aftermath was powerful and disturbing. Iraqis were emboldened to attack Americans all over the nation, with Sunnis and Shias (those formerly supposedly implacable antagonists) promising to aid one another in driving out the occupying aggressor. U.S. troops, for their part, mobilized and both surrounded and penetrated Fallujah, with heavy and bloody casualties, mostly Iraqi citizens, not all of whom were in any way combatants.

I want to look at one of the many issues that arose from that moment of violence in Fallujah, that moment when four Americans were killed. Why, Americans wondered at first, were there no U.S. forces ready to intervene? Even if it is impossible to prevent or undo an ambush, it is certainly possible to move in militarily to prevent bodies from being dishonored. After all, the record, both in literature and history, of military men showing great courage to protect both their wounded and their dead is extensive. So why didn't U.S. troops rush in to protect their fallen comrades?

The answer is profoundly revealing. The fallen men were not, in any real sense, their comrades. They were Americans, and they were soldiers of a sort, but they were not U.S. soldiers. They worked for a corporation, Blackwater Security Consulting, which supplies military personnel on a contract basis: these were soldiers for hire, or, as they would have been called in a time when English had not been debased by the spin of political posturing, *mercenaries*. They were in Iraq not to fight for democracy or even domination, but because they were paid handsomely to be there—and paid by a company whose sole business is to make a profit.

Sometimes dramatic changes take place in the world, hidden from sight, until a moment occurs when they erupt into public consciousness. So it was with the four Americans killed in Fallujah. The existence of a privatized military industry was known to military leaders around the globe, to corporate executives of multinational

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companies engaged in business in “risky” areas, and to despots and insurgent militias all over the developing world. But, in general, the citizenry of the world, and especially the United States, was unaware that the nature of warfare is changing, and changing rapidly.

Warfare is less and less the domain of states, and more and more an area for corporate investment, growth, and control. Warfare, in blunt terms, is being increasingly privatized as we enter the 21st century.

There is no arguing with economic facts. The privatized military “industry,” in the words of Peter Singer, an expert on this new economic reality, “has several hundred companies, operating in over 10 countries on six continents, and over \$100 billion in annual global revenue.”

Though writing in an academic publication, Singer maintains his great real-world cogency. “PMFs [privatized military firms] represent the newest additions to the modern battlefield, and their role in contemporary warfare is becoming increasingly significant. Not since the 18th century has there been such reliance on private soldiers to accomplish tasks directly affecting the tactical and strategic success of engagement...PMFs may well portend the new business face of war.”

Singer and I disagree about the importance of structure, since he maintains that PMFs are “fundamentally different [than mercenaries]: the critical analytic factor is their modern corporate business form.” That modern mercenaries are employees of a modern corporation, hired through “conventional” hiring practices, serving in a hierarchical business administrative structure, generating returns for investors, does not mean that they are not fundamentally soldiers for hire, nor that those who supply them are not in it for the money.

Singer is remarkably cogent in his analysis.* He points out that the market-based approach toward military services is as, “one analyst puts it, ‘the ultimate representation of neo-liberalism.’” In particular, he sees PMFs as a logical consequence of the two major capitalist innovations of the late 20th century, outsourcing and globalization. Military affairs—from maintenance and supply, to support, to actual fighting—can profitably be outsourced; the labor supply to provide trainers, logistical support, and warriors is an international market.

The former apartheid military and militias of South Africa are

* Peter W. Singer, “Corporate Warriors: The Rise and Ramifications of the Privatized Military Industry,” <http://www.brook.edu/dybdocroot/views/articles/singer/20020128.htm>.

fertile hiring sources; so too are former Soviet soldiers, and officers and operatives of the KGB. Those who were behind the Bank of Credit and Commerce International debacle are deeply enmeshed in arranging financing in the new military-for-hire industry, as are those who supplied illegal arms in the Iran-Contra scandal. Employment in this new industry—soldiers for hire—is more about toughness and getting the job done, than about vetting potential employees for any ethical standards, even vestigial ones.

Which brings us to Iraq. There are important reasons why the United States has depended heavily on PMFs to undergird the war and occupation efforts in Iraq. Most of them are not pretty—to my mind, some are actually corrupt.

First, PMFs allow placing many of the costs of the Iraq occupation “off budget.” In the United States, as in all democracies, funding for government activities is ultimately in the hands of the people, through their elected representatives in legislative bodies.

But the 20,000 international PMF employees in Iraq (equal to over 15 percent of the official U.S. military presence of 130,000 soldiers) are off budget. They are not listed as military expenditures. Instead, they are paid out of the money budgeted for Iraqi reconstruction. Recent government estimates are that as much as one-quarter of the \$18 billion budgeted for reconstruction will be paid to those who perform military operations of one sort or another. That means money dedicated to rebuilding schools and hospitals will, instead, fill the coffers of private firms that supply guards, analysts, security, and convoy protection.

In merchandising, this technique is called “bait and switch” and is widely used by unscrupulous salesmen, who offer something at an announced price, and substitute another item of inferior quality or lower value. Offer reconstruction, substitute military and paramilitary activity. In the marketplace, bait and switch tactics are illegal. That does not seem to hold for White House policies in Iraq.

Second, hiring PMFs bails out the questionable defense policies of Secretary of Defense Donald Rumsfeld. Contrary to the advice of his generals, the secretary insisted on downsizing the military. His vision is of a corporate military, and so he imitates the efficiencies put in place by modern multinational corporations. On one level, he is merely continuing what his predecessors in the defense department did, and indeed what every imperial power has done for many centuries: he has moved toward further mechanizing warfare. For Rumsfeld, it is not just that killing efficiency—horrible term, horrible concept—is enhanced by mechanization: the automated battlefield can work like an automated factory, so that fewer workers

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are needed. Secretary Rumsfeld has been insistent that the U.S. military can be downsized. And not just by, for example, using fully automated drones instead of bombers with crews, or substituting laser-sighted weapons in the hands of two or three soldiers in a Humvee instead of sending forth a platoon of men.

Rumsfeld has tried his utmost to privatize the U.S. military. For him, following corporate strategy, downsizing means moving to "just in time" hiring, using private firms to provide what the military formerly did for itself. He has insisted that it makes no fiscal sense to keep and pay for a well-trained standing army, when the United States can purchase every sort of service on an "open market" whenever there is a need for military action.

Why should soldiers, in Rumsfeld's view, cook for themselves, move their trash, provide supplies, run and maintain their technology—why not privatize these activities? Even in the case of actual military duty—guarding public officials from hostile attack, fighting guerrilla assaults—much of what soldiers traditionally do can be performed by the mercenaries hired by private firms. All of these services can be hired only when needed, and the army can be kept small, and hence inexpensive in terms of manpower. Weapons systems, produced at high profit by huge corporations, are another matter: cost efficiency here seems to be of little or no concern.

Rumsfeld's strategy may well be flawed, which is why the use of PMFs is so suspect, since PMFs allow him to escape oversight and deflect criticism. In Iraq today, U.S. forces are stretched thin. That situation was highlighted recently when tens of thousands of soldiers slated to come home after a year's term in Iraq found those returns cancelled, some as they were on their way to the airport for a flight home. U.S. troops have discovered, contrary to both planning and promises, that their presence in an increasingly hostile war zone has been extended. Additionally, the defections of Spain, the Dominican Republic and Honduras from the U.S. "alliance" has stretched the U.S. forces so thin that Rumsfeld's downsized army is further unprepared to fight the rising Iraqi insurgency.

Thus, the privatized military forces cover up the flaws in Rumsfeld's downsizing strategy. Secretary Rumsfeld, today, staves off criticism that his lean military is not able to do what it has to do in Iraq, by paying privatized firms and their subcontractors to do it instead of army or air force personnel. That privatized firms charge more for the activities is of no concern, even though the point behind downsizing was supposedly cost-efficiency.

PMFs have an additional "benefit" never mentioned by U.S. government officials. If there is brutal military repression to be done, an ex-KGB agent or a man with a lifetime of service in South

Africa's apartheid forces can work more brutally than an enlisted U.S. soldier. Paul Bremer, the American who "rules" Iraq as the chief of the Coalition Provisional Authority, does not trust his defense to U.S. soldiers. Cadres of mercenaries guard him.

An instance of this "outside the army" brutality came to light in the shocking revelations of American abuse of Iraqi inmates in Baghdad. A confidential U.S. Army report said that at least one employee of the firm CACI was among those "either directly or indirectly responsible for the abuses at Abu Ghraib"; the report also mentioned an employee of another PMF, Titan, in the context of the abuse. In the two months since that report was compiled, even though the Army recommended "termination of employment" of one of the employees, neither corporation removed them. There are judicial consequences for military men and women who use excess brutality in war, but there seem to be few avenues for prosecuting such brutality among employees of the PMFs which operate in a war zone.

If the United States' use of privatized military services in Iraq seems to transgress the boundaries of corruption to a rational mind, a mildly paranoid mind can have a field day with some established facts. The major subcontractor in Iraq is Halliburton; Halliburton provides extensive security and military support through its subsidiary, Kellogg, Brown & Root. Halliburton's former chief executive, of course, is the sitting vice president, Dick Cheney. Recent testimony before Congress and in a startling new book by the journalist Bob Woodward indicates that Cheney was the single most influential force driving Bush, and the United States, into war against Iraq. From the most cynical angle—and some resort to cynicism to explain a war whose purported cause, eliminating stockpiles of weapons of mass destruction (WMDs), has proved fraudulent since no WMDs ever turned up in postwar Iraq—one might see the entire war and occupation as a business decision which provided huge contracts to the vice president's former company.

There is one undeniably corrupt purpose behind the use of PMFs, one so patent that it is beyond any taint of paranoia or cynicism. Four decades ago, when the United States was mired in a war in Vietnam and casualties were mounting, that war became a greater and greater political liability for successive administrations, first Democratic, then Republican. Both resorted to a strategy—in the heinous language of those in charge of managing the war—to "change the color of the corpses." In other words, if U.S. soldiers died, the public would be outraged. If the Vietnamese could be pressured into taking the casualties, there would be little outcry in

the United States.

With this in mind, there is another, nefarious reason for the use of PMFs in Iraq. As casualties mount, and there have been over 100 American deaths in April alone, using private military operatives may (and the emphasis must at this moment, with the situation still in flux, be on the very conditional nature of that verb) allow the United States to reduce U.S. casualties by the substitution of foreign troops.

When those four American operatives from Blackwater Security were killed, there was great outcry and anger because they were Americans who were killed and mutilated—even though it quickly became apparent that they were private operatives paid for working quasi-military operations in a war zone.

Yet a similar event—not the abuse of the corpses, but the murder of four PMF agents—occurred four months earlier, in January, to no outcry at all. The reason? The four casualties, were employees of a British firm, Erinys, and all were former members of apartheid-era security forces in South Africa. This is the principle, without the usual racial overtones, of changing the color of the corpses.

Erinys alone employs about 14,000 Iraqis. It is not hard to find information about Erinys, since the company seems to have no shame about promoting its military services to all and sundry: advertising and self-promotion seem to be necessary aspects of the business of privatized warfare. “Erinys is an international Security Services and Risk consultancy. We provide clients with a range of services and capabilities to reduce the impact of operating in volatile, uncertain or complex environments such as sub-Saharan Africa and West Asia....Erinys Iraq is a prime contractor to the Gulf Regional Division of the United States Army Corp of Engineers, tasked with providing nationwide personal security details and protective services,” the company proudly states.

Their postimperial world sounds suspiciously like the colonial world that has supposedly been long displaced: those 14,000 Iraqis are “directed by former senior members of the UK armed forces.” It even has its own military command structure, independent of the U.S. and allied forces, as it provides support and protection for the U.S. military and—no surprise—the multinational petrochemical companies in Iraq. “Erinys Iraq operates throughout the country under a North, Centre, South regional structure, each with its own independent headquarters, and a further 14 subsidiary sectors each with their own headquarters.”

In conclusion, let us examine the new pressure on the U.S. army that will almost certainly result from the use of PMFs in Iraq, the creation of a split-level military, part privatized and highly-paid,

part nationalized and greatly underpaid. Nor are those pay differentials commensurate with risk: quite the opposite.

Today, there are tens of thousands of men and women who were called away from their jobs and families—they entered the National Guard, which requires under most circumstances a six-month training period and then just two weeks of active service each year—because their nation required them to serve in the deserts of Iraq and in the treacherous streets of cities deeply angry with the U.S. occupation.

According to figures current during the active war a year ago, the base salary of a soldier in the lowest rank who has one year's service was \$15,480 a year—only a thousand dollars more than the average pay for an usher in a movie theatre in the United States. The base pay for an experienced corporal of three years of service was \$19,980 a year.

For this, U.S. soldiers are on the front lines in Iraq, risking their lives; with over 700 dead, and many more returning home amputees and permanently impaired, they have much at risk, yet their nation recompenses them with minimal pay. Meanwhile, the government pays private firms between \$500 and \$1,500 a day for the experienced military personnel they supply in Iraq. In stark terms, a mercenary works in a less risky position, providing support to fighting men or guarding oil wells instead of going on patrols in hostile territory under enemy fire and assault—and makes 10 to 20 times as much money as a soldier who serves his country instead of a corporation. There are a sizeable number of mercenaries making more than General Tommy Franks, who commanded the U.S. armed forces in last year's war in Iraq. With more than 36 years of service, Franks' annual base pay was \$153,948.

Is it possible to sustain an army when mercenaries for private contractors take fewer risks and earn 10 times as much as soldiers? Is it possible to delude Iraqis and Americans alike that a reconstruction budget is for reconstruction, when a quarter of it pays for private military forces? Is it possible successfully to change the color of the corpses in Iraq? Is this sort of warfare sustainable, and more tellingly, is it by any measure ethical? Time will tell.

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What Keeps Capitalism Going?

MICHAEL A. LEBOWITZ

I want to address a very simple question: What keeps capitalism going? or, in the somewhat more technical language of Marxists, How does capitalism as a system reproduce itself?

Of course, the first point that we need to establish is what I mean by *capitalism*. People mean a lot of different things when they use the term. They may have in mind a market economy or an economy with wage-laborers—or maybe only an economy in which corporations dominate. Naturally, then, what they mean by *anticapitalism* will also differ—it may mean, anti-markets, anti-wage-labor, and it may simply mean anti-large corporations.

My definition is the one that Marx developed: capitalism is a relationship in which the separation of working people from the means of work and the organization of the economy by those who own those means of work has as its result that, in order to survive, people must engage in a transaction—they must sell their ability to work to those owners. But, the characteristic of capitalism is not *simply* that the mass of people must be wage-laborers. It is also that those who are purchasing that capacity to perform labor have one thing and only one thing that interests them—profits (and more profits); that is to say, the purchasers of labor-power are capitalists, and their goal is to make their capital grow.

What the capitalist gets as the result of purchasing that ability of workers is the right to direct workers in production and the right to all they produce. It is a set of production relations quite different from the case, for example, of the cooperative or collective where workers direct themselves in production and have the property rights in what they produce themselves. Within capitalist relations, the capitalist has purchased the right to exploit workers in production. He pays them, on average, enough to meet their customary needs, but he has purchased the right to push them to produce more than it costs him for the use of them. As a result,

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the worker produces additional value, more money, profits, for the capitalist—the worker produces more capital for the capitalists. And that capital, the result of the exploitation of workers, goes into the accumulation of more means of production. What you see when you look at capital is the result of past exploitation.

This was the central message that Marx was attempting to communicate to workers. What is capital? It is the result of exploitation. It is the workers' own product which has been turned against them, a product in the form of tools, machinery—indeed, all the products of human activity (mental and manual).

But, turned against them how? Before talking about how this system keeps going, how it reproduces itself, we need to understand why this question is even important to ask. Think about the drive of capitalists to expand their capital, the drive to increase the exploitation of workers. How can they do this? One way is by getting workers to work more for the capitalists, for example by extending the workday or intensifying the workday (speedup). Another is to drive down the wages of workers. And, still another is to prevent workers from being the beneficiaries of advances in social knowledge and social productivity. Capital is constantly on the search for ways to expand the workday in length and intensity—which, of course, is contrary to the needs of human beings to have time for themselves for rest and for their own self-development. Capital is also constantly searching for ways to keep down and drive down wages, which of course means to deny workers the ability to satisfy their existing needs and to share in the fruits of social labor. How does capital achieve this? In particular, it does so by separating workers, by turning them against each other.

The logic of capital has nothing to do with the needs of human beings. So practices such as the use of racism and patriarchy to divide workers, the use of the state to outlaw or crush trade unions, the destruction of people's lives by shutting down operations and moving to parts of the world where people are poor, unions banned, and environmental regulations nonexistent—are not accidental but the product of a society in which human beings are simply means for capital. We could go on about the character of capitalism, but I think the point is clear.

So, back to the topic—how is it that this continues? What keeps capitalism going? How is such a system reproduced? Let me suggest a few answers.

First, the exploitation of workers is not *obvious*. It doesn't look like the worker sells her ability to work and that the capitalist then proceeds to get all the benefits of her labor. The contract doesn't say—this is the part of the day you are working for yourself

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(reproducing your requirements), and this is the part that you are working for the capitalist and adding to his capital. Rather, it *looks* like the worker sells a certain amount of her time (a day's work) to the capitalist and that she gets its *equivalent* in money. So, clearly the worker must get what she deserves—if her income is low, it must mean that she didn't have anything very valuable to sell, nothing much to contribute to society (certainly, very little compared to the capitalist); in fact, she should be happy she got anything. On the face of it, in short, there is no exploitation. Marx was very clear on this point—the very way that wages are expressed as a wage for a given number of hours extinguishes every trace of exploitation—“all labour appears as paid labour.” This disappearance of exploitation on the surface, he noted, underlies “all the notions of justice held by both the worker and the capitalist, all the mystifications of the capitalist mode of production” (173).^{*} Note that it is not only the capitalist who will tend to think there is no exploitation; it is also the worker. If that's the case, when workers struggle, they are struggling not against exploitation but against unjust wages or working conditions—they are struggling for a better wage or shorter day, for what they see as fairness: a “fair day's work for a fair day's pay.” In short, they do not see themselves as challenging the system, only some of its unfair results.

Second (and closely related), if it doesn't appear as if there is exploitation of workers in the process of production, then capital cannot appear as the result of exploitation—it cannot be recognized as the workers' own product. So, where does all that wealth come from, then? What is the source of machinery, science, everything that increases productivity? It must be the contribution of the capitalist. Having sold to the capitalist their ability to work (and thus the property rights to all they produce), the social productivity of workers necessarily takes the form of the social productivity of capital. Fixed capital, machinery, technology, science—all necessarily appear only as capital. Marx commented, “The accumulation of knowledge and of skill, of the general productive forces of the social brain, is thus absorbed into capital, as opposed to labour, and hence appears as an attribute of capital” (156). What I am describing here is the mystification of capital. The more the system develops, the more that production relies upon fixed capital, on the results of past labor which take the form of capital—the more that capital (and the capitalist) appear to be necessary to workers. It is no accident, in short, that workers would see themselves as dependent upon capital. Marx made a very significant comment in

^{*} Parenthetical numbers refer to Michael A. Lebowitz, *Beyond Capital: Marx's Political Economy of the Working Class* (Palgrave Macmillan, 2003)

this respect:

The advance of capitalist production develops a working class which by education, tradition and habit looks upon the requirements of this mode of production as self-evident natural laws. The organization of the capitalist process of production, once it is fully developed, breaks down all resistance.(157)

Given the hidden nature of exploitation and the mystification of capital, we obviously already have a strong basis for the reproduction of capitalism as a system. But, there is more.

A third reason why capitalism keeps going is that society does not only *appear* to be dependent upon capital and the capitalist for all advances. As individuals within capitalist relations, workers really *are* dependent on capital to meet their needs. As long as they are separated from the means of work and need to sell their ability to work in order to get the money to buy the things they need, workers *need* the capitalist, who is the mediator between them and the realization of their needs. For the wage-laborer, the real tragedy is not the sale of her labor-power; it is the *inability* to sell it. What can be worse for one who must sell a commodity than to find no buyer? Workers, it appears, have an interest in the health of capitalists, have an interest in expanding demand on the part of capitalists for their labor-power—by education, tradition, and habit, they come to look upon the needs of capital as self-evident natural laws, as common sense. The reproduction of workers as wage-laborers requires the reproduction of capital.

Do we need any further reasons for the continuation of capitalism as a system? Let me throw in just one more before we consider some of the implications. Workers are not simply dependent upon the state of capital in general for their jobs and thus their ability to satisfy their needs; they are dependent on *particular* capitals! Precisely because capital exists in the form of many capitals, and those capitals compete against each other to expand, there is a basis for groups of workers to link their ability to satisfy their needs to the success of those particular capitals that employ them. In short, even without talking about the conscious efforts of capital to divide, we can say that there exists a basis for the separation of workers in different firms—both inside and between countries. In other words, we can easily see how workers may see other workers as the enemy and will make concessions to their employers in order to help them compete better.

Is it hard, then, to understand why Marx could say that capitalism produces a worker who looks upon its requirements as “self-evident natural laws”? When we think about the dependence of the worker on capital, is it difficult to grasp why capitalism keeps

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going? After all, Marx not only proposed that capitalism “breaks down all resistance”; he also went on to say that capital can “rely on his [the worker’s] dependence on capital, which springs from the conditions of production themselves, and is guaranteed in perpetuity by them” (899). Capitalism tends, in short, to produce the workers it needs.

Well, you might say that I’m presenting a rather distorted picture of capitalism. That I’m making it seem as if capitalism is a system without contradictions, a stable economic system that delivers the goods. What about economic crises? Doesn’t capitalism inevitably come up against crises, crises inherent in its nature? Some people predict the collapse of the system once a week. I don’t think too much of arguments that suggest that the permanent crisis of capitalism began in the hour of its birth. But, the system *does* have crises—periods in which profits fall, production drops, people are unemployed. Don’t those crises demonstrate that a new system is necessary?

Without question, an economic crisis brings the nature of the economic system to the surface. When there are unemployed people, resources, machinery, and factories—and at the very same time people with the need for those things that could be produced—it is pretty obvious that production in capitalism is not based on human needs but, rather, only on what can be produced for a profit. This is a time when people can be mobilized to question the system. However, so long as people continue to think capital is *necessary*, then the solutions they look for will not be ones which challenge the logic of capital. (The same will be true in the case of the environmental crises that capitalism produces.) So long as they see capital as the source of jobs, the source of wealth, the source of all progress, then their answer will be that they don’t want to kill the goose that lays the golden eggs.

The same point needs to be made in relation to the struggles of workers against capital to reduce the workday, improve working conditions and raise wages—both directly against specific employers and also in the attempt to capture the state and to use it in their own interests. So long as workers do not see capital as their own product and continue instead to think of the need for healthy capitalists as common sense (and as in their own interest), they will hold back from actions that place capital in crisis. As long as workers have not broken with the idea that capital is necessary, a state under their control will act to facilitate the conditions for the expanded reproduction of capital. Here, in a nutshell, is the sorry history of social democracy—which, despite the subjective perspective of some of its supporters, ends by reinforcing the rule

of capital.

So, we return to our question—what keeps capitalism going? How is capitalism reproduced as a system? I think you can see the answer that I am offering: capital tends to produce the working class it needs. It produces workers who look upon it as necessary—a system that is unfair, one that requires you to struggle constantly to realize your needs, a system run by people out to get you, yet a system where the reproduction of capital is necessary for the reproduction of wage-laborers. What keeps capitalism going? Wage-laborers. The reproduction of workers as wage-laborers is necessary for the reproduction of capital.

Note that I haven't said anything about patriarchy or racism. Some people on the left argue that patriarchy and racism are necessary conditions of existence for capitalism. I think we need to distinguish between what is necessary and what is *useful* for the maintenance of capitalism; When we speak of necessity, we are saying that without *x*, capitalism could not exist. I don't think this is true of patriarchy or racism. Capital certainly uses racism, patriarchy, national, and ethnic differences to divide the working class, to weaken it and to direct its struggles away from capital. But, it can find many ways to divide and weaken workers. And, it can, if forced, do without racism or patriarchy just as it can, if forced, live with higher wages or shorter workdays. (Just as it has been able to do without apartheid and white rule in South Africa.) What capital *cannot* live with, however, is a working class that both understands that capital is the result of exploitation (i.e., that the wealth that confronts it is the product of the collective workers) and is also prepared to struggle to put an end to that exploitation.

Obviously, a working class with this characteristic does not drop from the sky—not when capital produces workers who look upon the requirements of capital as self-evident natural laws. Is the answer, then, the vanguard party which brings a socialist consciousness to ignorant workers? Why should the workers who are the products of capital pay any attention to these messages from the outside? This picture seems like a scenario for inevitable irrelevance and isolation.

Let me propose, however, that the picture is not necessarily as bleak as it seems. Workers are not simply the products of capital. They are formed (and form themselves) through all the relationships in which they exist. And, they transform themselves through their struggles—not only those against capital but also against those other relations like patriarchy and racism. Even though these struggles may take place fully within the confines of capitalist relations, in the course of engaging in collective struggles people

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develop a new sense of themselves. They develop new capacities, new understandings of the importance of collective struggle. People who produce themselves as revolutionary subjects through their struggles enter into their relations with capital as different people; in contrast to those who are not in motion, they are open to developing an understanding of the nature of capital.

But, they are merely *open* to this understanding. All those actions, demonstrations and struggles in themselves cannot go beyond capitalism. Given that exploitation inherently appears simply as unfairness and that the nature of capital is mystified, these struggles lead only to the demand for fairness, for justice *within* capitalist relations but not justice *beyond* capitalism. They generate at best a trade union or social-democratic consciousness—a perspective which is bounded by a continuing sense of dependence upon capital, i.e., bounded by capitalist relations. Given that the spontaneous response of people in motion does not in itself go beyond capital, communication of the essential nature of capitalism is critical to its nonreproduction.

For those within the grasp of capital, however, more is necessary than simply to understand the nature of capital and its roots in exploitation. People need to believe that a better world is possible. They need to feel that there is an alternative—one worth struggling for. In this respect, describing the nature of a socialist alternative—and analyzing the inadequacies and failures of 20th-century efforts—is an essential part of the process by which people can be moved to put an end to capitalism.

To the extent that those of us on the left are not actively attempting to communicate the nature of capitalism and working explicitly for the creation of a socialist alternative, we are part of the explanation as to what keeps capitalism going.



On the Race Horse 'Imperialism'

Sometimes, when a horse closes like a rocket in shorter races, then loses that sudden burst going long, it could mean he's not as suited to longer distances. But because of the circumstances, it's too early to determine if that's the case with Imperialism.

—www.bloodhorse.com (4/4/04).

Inequalities Are Unhealthy

VICENTE NAVARRO

The growing inequalities we are witnessing in the world today are having a very negative impact on the health and quality of life of its populations. It is true, as many conservatives and neoliberal authors continue to stress, that health indicators are improving in many parts of the world, including in many underdeveloped countries. But what these authors are not saying is that the rate of improvements in these indicators have slowed down in most countries that have experienced a growth of inequalities, and in many of them, including the United States, these indicators have even reversed. According to the last report of the National Center for Health and Vital Statistics, infant mortality in the United States has increased, reversing the decline that had occurred since 1953.¹ The growth of inequalities is thus bad for people's health. But why?

One answer, which is only partially true, is that the growth of inequalities is usually accompanied by the growth of poverty. When inequalities increase, some people's standard of living becomes much better, while other's becomes worse. It is within these latter groups that health indicators deteriorate. But although there is an element of truth in this explanation, it is not the whole truth. As a matter of fact, it is a very small part of the whole truth.

What is the truth then? The answer is that inequality is in itself bad, i.e., the distance among social groups and individuals and the lack of social cohesion that this distance creates is bad for people's health and quality of life. Studies performed among civil servants in Great Britain have shown, for example, that life expectancy (the years that people can expect to live) among the top civil servants, grade 32, is longer than the life expectancy of civil servants of grade 31, who have longer life expectancy than civil servants of grade 30, and so on, reaching the lowest life expectancy at grade 1. There is no poverty among British civil servants, but there are significant

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differences in their life expectancies. The same finding has been replicated in other countries. In Spain, for example, we performed a similar study, looking at life expectancy by social class, and we found that the members of the bourgeoisie (the European term to define the corporate class) live an average of two years longer than the petit bourgeoisie (the term to define the upper middle class), who live two years longer than the middle class, who live two years longer than the skilled working class, who live two years longer than the members of the unskilled working class that has been chronically unemployed. The difference between the two poles—the corporate class and the chronically unemployed—is ten years. This average distance in the European Union is seven years. In the United States, it is 14 years.²

Why these differences in life expectancy? A lot of research has been done in the attempt to answer that question. And we have enough evidence to provide an answer: social distance and how that distance is perceived by people, in addition to the lack of social cohesion that it produces, is at the root of the problem. This situation appears clearly when we compare the life expectancy of a poor person in the United States (who makes \$12,000 a year) with the life expectancy of a middle-class person in Ghana. The poor person in the United States is likely to have more material resources than the middle-class person of Ghana (who makes the equivalent of \$9,000). The U.S. resident may have a car, a TV set, a larger apartment and other amenities that the middle-class person in Ghana does not. As a matter of fact, if the world were considered a single society, then the poor in the United States would be a member of the worldwide middle class and the middle-class person of Ghana would be part of the worldwide poor—certainly poorer than the poor in the United States. And yet, I repeat, the poor citizen of the United States (although of the worldwide middle class) has a shorter life expectancy than the middle-class person (although of the worldwide poor) in Ghana (two years less, to be precise).

Why? The answer is simple. It is more difficult to be a poor person in the United States than a middle-class person in Ghana. For the poor person in the United States, the worst component of his or her existence is not primarily the absence of material resources, but rather his or her social distance from the rest of society. He or she feels frustrated, a failure, unable to fulfill the expectation of becoming a successful member of the “mainstream” and attaining its standard of living, which incidentally, for those depicted in the media as mainstream (and very much in particular in the broadcast industry), is higher than the national average. Indeed, the image of the “mainstream” does not correspond with

the reality of the average person in our society. Most TV program characters, for example, are professionals in the upper middle class. Very rarely are blue-collar workers, nurse's aides, carpenters, or taxi drivers; for example, the main characters in TV programs. The establishment's media has, in general, a wrong view of how average U.S. citizens live and work. In the United States, the "American Dream" imparts an idealized vision of what Americans really are. The frustrations of those who do not see themselves a part of that mainstream in America are indeed a source of pathology. It is very difficult—emotionally as well as materially—to be outside of what the U.S. establishment defines as "mainstream," which, I repeat, has a much higher than average pattern and standard of living. Moreover, the massive poverty that exists in terms of political and collective resources available to defend the interests of the majority of working people in the United States explains their enormous feeling of powerlessness and lack of social cohesion, both of which give rise to disease.

In fact, we have found that countries with strong labor movements, with social democratic and socialist parties that have governed for long periods of time, and with strong unions (Sweden, for example), have developed stronger redistribution policies and inequality-reducing measures of a universalistic type (meaning that they affect all people) rather than antipoverty, means-tested, assistance types of programs. These worker-friendly countries consequently have better health indicators than those countries where labor movements are very weak, as is the case in the United States, a corporate-class-friendly country. The reason for this difference is that the sense of social cohesion is larger in the worker-friendly countries, the sense of power and participation is higher, and the feeling of social distance is smaller than in the corporate-class-friendly countries. The evidence for this conclusion is plainly overwhelming.³ However, you would not know it by reading the scientific medical literature in the United States, which focuses on the biological, genetic, and behavioral aspects of health but rarely on the social and political determinants, thus revealing the ideological bias of most scientific, medical, and even public health research at our U.S. institutions.

This neglect of the social and political determinants of health persists despite the fact, known for some time, that social distance is bad for your health. Researchers in the UK, for example, have found that the period in the 20th century during which the most significant increases in life expectancy occurred in the UK was, paradoxically, the years of the Second World War. And although improvements in nutrition (due to government rationing of food) contributed to this situation, the fact is, the most important factor

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was the reduction of social distances that occurred as a result of people of all classes committing themselves to the same project (the war to defeat Nazism) and making sacrifices in the pursuit of a cause the majority of people believed in. Those who lived during that period in Great Britain will tell you that never before had people felt so much camaraderie toward one another. Complimenting this sense of togetherness were the public policies that curtailed some of the privileges of the establishment, policies that were developed to garner popular support for the war effort, and which reduced the inequalities that existed in that country. Needless to say, classes and class differentials still existed, but the social distances were significantly reduced, resulting in the improvement in life expectancy for the majority of classes.

As an example of the other extreme in social cohesiveness, we can look at Great Britain during the Thatcher years—when neoliberal policies were implemented, resulting in significantly higher social inequalities in that country—and see how the rate of decline in mortality that had occurred during the previous 20 years slowed down for all ages and for the majority of classes. The increased lack of social cohesion, the sense of insecurity and the Darwinian competition that the Thatcher policies created negatively affected the health of the majority of the British population.

It is likely that the same thing happened during the same period of time, the 1980s, in the United States. Unfortunately, however, the United States does not collect or tabulate mortality statistics by social class. The United States is one of the very few countries that do not include class in its national health and vital statistics. It collects health and vital statistics by race and gender but not by class, even though, as I have shown, class mortality differentials are far larger than race or gender differentials.⁴ Class discrimination is the most frequent and least spoken of type of discrimination in the United States. The U.S. establishment (including the scientific establishment) does not document the existence of classes, even though class is the most important variable in predicting ways of living and dying in this country. Still, although we do not publish mortality statistics by class, we can see how the enormous inequalities we are experiencing in the United States are affecting our population's health indicators. Infant mortality, for the first time since 1953, has increased, and this is not only the result of increased poverty but is also caused by the increase of inequalities, with the subsequent growth in sense of distance and lack of cohesion that leads to ill health. This is the reality behind mortality statistics of which you should be aware, and yet, you are not. The most effective public intervention in reducing mortality in the United States would be to reduce the social inequalities among our

people. The scientific evidence shows this. But in this case the science is ignored.

Notes

1. Infant Mortality Tables 1946-2002, National Center for Health Statistics, U.S. Department of Health and Human Resources, Washington, D.C., 2004.
2. Vicente Navarro, ed., *The Political Economy of Social Inequalities: Consequences for Health and Quality of Life* (Amityville, N.Y.: Baywood, 2002).
3. Vicente Navarro, ed., *The Political and Social Context of Health* (Amityville, N.Y.: Baywood, 2004).
4. Vicente Navarro, "Race or Class versus Race and Class: Mortality Differentials in the U.S.," *Lancet* 336 (1990): 1238-1240.

For further reading on inequalities and health see Vicente Navarro, ed., *The Political and Social Context of Health* (Amityville, N.Y.: Baywood, 2004); and Vicente Navarro & Carles Muntaner, eds., *Political and Economic Determinants of Population Health and Well-Being: Controversies and Developments* (Amityville, N.Y.: Baywood, 2004).



(continued from page 60)

On April 17—a perfect, sunny, warm spring Saturday—hundreds gathered at Manhattan's Landmark on the Park to remember Paul Sweezy and to celebrate his life as analyst, theoretician, activist, and founding editor of *Monthly Review*. The meeting was opened by Ossie Davis who, with great humor, related reminiscences of his long friendship with Paul. Frances Fox Piven offered a moving evocation of Paul's courage as a radical and his unflinching commitment to intellectual honesty. She was followed by Dr. Selwyn Freed, a Larchmont neighbor, who recalled meals and movies and afternoons spent watching the Red Sox on TV, all interspersed with sharp insights on the issues of the day. In the context of a discussion of the role Sweezy played in his life as an intellectual mentor and friend over a quarter-century, John Bellamy Foster said that Paul was the "model of a humane socialist intellectual" and a symbol throughout the world of the fact that even in the heart of the imperialist system revolutionary resistance was possible. Robert W. McClesney, as well, spoke of the influence that Paul (and Harry Magdoff) had on his evolution as a radical and socialist. He read a statement from Harry, who said "[Paul] never departed from the thoroughness of his belief in the need for socialism—a socialism based on empowering the poorest and the most oppressed on a road to an egalitarian society." The meeting ended with a powerful call from Cornel West for all of us to walk in Paul's footsteps in the quest for a just society.

The Illusions of *Empire*

BASHIR ABU-MANNEH

Michael Hardt and Antonio Negri's *Empire*, published by Harvard University Press in 2000, took the intellectual world by storm. After the declared demise of "grand narratives" and projects of human emancipation, here came a book that told the grandest of all stories, the totalization of capital, and anticipated the most magnificent of all revolutionary outcomes, communism. Postmodern taboos were shattered, or so it seemed. The prophets of the multitude, Hardt and Negri, were duly acknowledged and celebrated in the liberal press. In the United Kingdom, the *New Statesman* ran an interview with Negri entitled "The left should love globalization." Globalization, Negri stated, leads to real democratic "global citizenship." In the United States, *New York Times* reviewer Emily Eakin hailed *Empire* as the "next big idea," announcing the arrival of a badly-needed "master theory" to overcome the "deep pessimism," "banality" (Stanley Aronowitz's term), "crisis," and "void" that have characterized the humanities in the last decade. *Empire* (both book and concept) was good news for everyone, ushering in a period that, while difficult to define, is, in Hardt's words, "actually an enormous historical improvement over the international system and imperialism."¹

The response of the conservative press was not so kind. While emphasizing Hardt and Negri's championing of globalization as the end of imperialism, the *Sunday Times* (London), for example, struck a strong critical note at the end of an interview with Hardt. John Gray, it said, was left "unimpressed" by the book: "It looks to me more a response to the sorry condition of the humanities in the United States than a serious critique of globalization." And David Pryce-Jones in the U.S. magazine *National Review* read the book as

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a farcical attempt to resurrect the "Last Big Idea Which Did Not Come Off": communism. He went on to accuse the liberal press of being fooled by the '68 generation of "fashionable intellectuals" who were "occupied in updating old-fashioned Marxism-Leninism with their brand-new lingo of deconstruction and poststructuralism." His most venomous attack is on Hardt and Negri's reading of the Soviet Union as "death from the socialist victory of modernization": "Such a travesty is a tribute to the higher idiocy which only an imagination unconnected to reality is able to confect."²

On the left, the book has been both praised and criticized. In fact, *Empire* has become a point of focus for a larger debate about globalization, contemporary forms of imperialism, and the post-Cold War era, subjects of great importance. It is in connection with these subjects that I examine *Empire* in this essay. My aim is twofold: first, to examine the validity of the conceptual and theoretical apparatus advanced in *Empire*; and, second, to contribute to the understanding of the politics and ideology of contemporary global capitalism. As I will argue below, the defining issue of the debate surrounding *Empire* is whether capitalism has now entered into a "post-imperialist" stage, as Hardt and Negri argue, or whether it has consolidated a new phase of imperialism. The answer to this question is crucial not only because it defines the *actuality* of global capitalism but also because it determines the *potentiality* of its transformation.

Post-Imperialism or New Imperialism?

In order to understand the nature of Hardt and Negri's project, it is important to map out Lenin's ideas on imperialism. Not long before the Bolshevik revolution, Lenin said,

Can one, however, deny that in the abstract a new phase of capitalism to follow imperialism, namely, a phase of ultra-imperialism, is 'thinkable'? No. In the abstract one can think of such a phase. In practice, however, he who denies the sharp tasks of to-day in the name of dreams about soft tasks of the future becomes an opportunist. Theoretically it means to fail to base oneself on the developments now going on in real life, to detach oneself from them in the name of dreams.³

This was Lenin's judgement on Kautsky's notion of "ultra-imperialism." It is both a political and a theoretical rejection. Kautsky was imagining peaceful capitalist coexistence and cooperation exactly when inter-imperialist contradictions were sharpening and intensifying. Lenin says that Kautsky's notion is a "lifeless abstraction," which has no truck with "the concrete realities of the present-day world economy." Its main flaw lies in

ignoring one of the basic laws and conditions of capitalism; its *combined and uneven development*. In a world of powers whose strength is unequal, uneven development can only become more acute. In an epoch characterized by "the striving for domination, not for freedom," "truce" is only possible as a prelude to war: there can be no permanent joint exploitation of the world, Lenin affirmed. Indeed, it is a "profoundly mistaken idea" which says "that the rule of finance capital *lessens* the unevenness and contradictions inherent in the world economy today, whereas in reality it *increases* them."⁴

Politically, Lenin thought that Kautsky's vision constituted a form of political *evasion*, an opportunist abdication of responsibility: "And why not wave aside the 'exacting' tasks that have been posed by the epoch of imperialism now ruling in Europe?" Bukharin had a similar position: "This possibility [of 'ultra-imperialism'] would be thinkable if we were to look at the social process as a purely mechanical one, without counting the forces that are hostile to the policy of imperialism."⁵ The potential for revolutionary transformation should never be discounted or excluded from the political equation. The tasks of the present moment, therefore, exclude turning to "innocent dreams of a comparatively peaceful, comparatively conflictless, comparatively non-catastrophic" future.⁶ For Lenin, the real challenge was to unify the proletariat behind a policy of anti-imperialism in the present conjuncture. His 1916 pamphlet *Imperialism, the Highest Stage of Capitalism* sought to do exactly that.

In *Imperialism* Lenin argued that imperialism was a stage that capitalist development had reached. It wasn't only a policy or an ideology, as Bukharin had argued in his seminal *Imperialism and World Economy*; neither was it only the rule of finance capital, as Hilferding had exhaustively shown in his pioneering *Finance Capital*; and nor was imperialism a choice that capitalists could decide to opt out of to revert back to "free competition," as Kautsky and others thought. The economic essence of imperialism is monopoly capitalism, Lenin argued: "If it were necessary to give the briefest possible definition of imperialism we should have to say that imperialism is the monopoly stage of capitalism."⁷ Due to the concentration of capital and production, there is a greater propensity towards monopolies. Competition is not eliminated, however, as imperialism "'ties up' monopoly with free competition." Imperialism "cannot do away with exchange, the market, competition, crises, etc....The essential feature of imperialism, by and large, is not monopolies pure and simple, but monopolies in conjunction with exchange, markets, competition, crises."⁸ While stating that all definitions are "conditional and relative," Lenin recounts the

following main economic features of imperialism:

Imperialism is capitalism at that stage of development at which the dominance of monopolies and finance capital is established; in which the export of capital has acquired pronounced importance; in which the division of the world among the international trusts has begun, in which the division of all territories of the globe among the biggest capitalist powers has been completed.⁹

Historically, Lenin saw imperialism as a decaying, *moribund* capitalism, where a revolutionary transition to socialism is possible—as happened in Russia in 1917 but not in the rest of Europe. Its most destructive effect on the labor movement, he argued, lies in its strengthening of opportunism, generating reconciliation between the proletariat and bourgeois parties—as witnessed by the collapse of the Second International.

The “*composite picture*” Lenin draws of the capitalist system in the era of imperialism is therefore one of global rivalry among national capitals over repartitioning the world market, resulting in colonial oppression abroad and increased domination and opportunism at home.¹⁰ It is a dynamic picture of conflict and struggle, both interimperial and social, resulting in war, uneasy peace, and war again: a universal dialectic of development and destruction, progress and stagnation, only to be overcome in socialism.

Hardt and Negri find Lenin’s notion of imperialism no longer relevant to understanding our world today. Empire is what comes after imperialism, they argue, a new form of global juridical sovereignty “composed of a series of national and supranational organisms united under a single logic of rule” (xii).^{*} If imperialism was characterized by the struggle of sovereign national capitals for world domination, the rise of Empire indicates the demise of this era: “The distinct national colors of the imperialist map of the world have merged and blended in the imperial global rainbow” (xiii). Empire is therefore spatially limitless, temporally eternal, socially all-encompassing, politically centerless, and universally peaceful. Though this description has clear Kautskyian overtones, Hardt and Negri insist on anchoring their argument in Lenin’s own thought. It is Lenin himself, they argue, who “was able to anticipate the passage to a new phase of capital beyond imperialism and identify the place (or really the non-place) of emerging imperial sovereignty” (232). Even though they do admit that this is an “exaggeration” (234), they still go on to say that “Lenin’s analysis of imperialism and its crisis leads directly to the theory of Empire.”

* All of the parenthetical numbers in the text refer to the Hardt and Negri book.

"This is the alternative implicit in Lenin's work: *either world communist revolution or Empire*, and there is a profound analogy between these two choices" (232). This is clearly wrong. The only thing Lenin anticipated was revolution; Empire (or ultraimperialism) was never even a possibility. Lenin insisted that,

There is no doubt that the development is going in the direction of a single world trust that will swallow up all enterprises and all states without exception. But the development in this direction is proceeding under such stress, with such a tempo, with such contradictions, conflicts, and convulsions—not only economical, but also political, national, etc., etc.—that before a single world trust will be reached, before the respective national finance capitals will have formed a world union of "ultra-imperialism," imperialism will inevitably explode, capitalism will turn into its opposite.¹¹

If Hardt and Negri were really repeating Lenin, they would have to categorically deny the possibility of Empire/ultra-imperialism. If after imperialism comes socialism, then Empire/ultra-imperialism is premised on the denial of socialism. Herein lies the crux of Lenin's argument: the Kautskyian concept is theoretically flawed because it ignores the uneven development of capitalism, and politically opportunist because it denies the possibility of socialism.

For Hardt and Negri, Lenin's analysis of imperialism has been superseded by history. Vietnam struck the death knell of U.S. imperialism and its continuation of the European colonial project, ushering in a new period they dub Empire: a "smooth space" where "there is no *place* of power—it is both everywhere and nowhere. Empire is an *ou-topia*, or really a *non-place*" (190). It is therefore no longer necessary to reject ultra-imperialism: "Empire has been materializing before our eyes" (xi). It is my aim in the following to show by recourse to concrete political analysis that nothing has changed to make Empire any less utopian than it was when Kautsky first suggested it in 1914; and that Hardt and Negri have misconstrued the process of globalization by naively accepting its definition as "a process without a subject." They wrongly conclude, therefore, that imperialism has been overcome. In reality, it has only been perfected under U.S. hegemony. As Lenin back in 1916 recognized, "American ethics," which the European professors and well-meaning bourgeois so hypocritically deplore, have, in the age of finance capital, become the ethics of literally every large city in any country."¹² The rainbow that Hardt and Negri see is only a mirage obscuring the Stars and Stripes.

"American capitalism," Trotsky stated in his 1924 speech "Perspectives of World Development," "is seeking the position of

world domination; it wants to establish an American imperialist autocracy over our planet." For Trotsky, the fate of mankind therefore hinges on the outcome of the international conflict between revolutionary Bolshevism and American imperialism. In this context, Europe will be allowed to rise again within limits set by the United States and will gradually be transformed into an "American dominion of a new type." For England, "only retreats are possible" to avoid interimperial war with the United States. The internal political makeup of Europe has also been affected. Americanism wears the cloaks of social democracy: "European Social Democracy is becoming, before our very eyes, the political agency of American capitalism." Trotsky's only hope lay in the revolutionary potential of the American proletariat: "Americanized Bolshevism will crush and conquer imperialist Americanism."¹³ The reverse has happened. The 20th century has witnessed the containment of revolutionary Bolshevism, its degeneration into Stalinism, and its eventual implosion beginning in 1989. For the first time in history, capital was universalized: "It has totalized itself both intensively and extensively. It's global in reach, and it penetrates to the heart and soul of social life and nature."¹⁴ A new world order was duly declared by George Bush senior, promising global peace and prosperity while threatening Iraq with war.¹⁵ This double register of peace and war has come to define the 1990s.

Hardt and Negri read the 1991 Gulf War as a symptom of Empire, of a new order exemplified by the ethicality and effectiveness of war:

The importance of the Gulf War derives rather from the fact that it presented the United States as the only power able to manage international justice, *not as a function of its own national motives but in the name of global right.* (180)

This is exactly the way the United States presented its intervention in Iraq. International norms had to be upheld, and the United States was forced to intervene to rectify global criminal behavior. To accept and uncritically replicate this hegemonic U.S. discourse of policing the world, of rights and "just war," is to fall into the trap of projecting domestic criminal law onto the behavior of states. This involves an unprecedented "transfer of the discourse that serves the domestic legal system within a liberal democratic state to the realm of world politics," leading to a depoliticization of global conflicts like wars.¹⁶ Because the Gulf War couldn't really be justified in liberal or democratic terms, a moral discourse of right and wrong had to be imported into international relations. International politics, national interests, or even capital reproduction strategies are substituted by a humanitarian discourse, which Hardt

and Negri endorse. Its vanguards are the Non-Government Organizations (NGOs), which prepare for military intervention and "represent directly global and universal human interests" (313), thus aiming to meet "the needs of life itself." "Beyond politics" (314), morality rules.

But whose morality is it? And whose humanity was it that was being represented in the Gulf War? Which "life in all its generality" (313) was being affirmed? Certainly not those of the Iraqis, as many immediately recognized. Western humanitarian intervention and "global right" are in fact premised on the degradation and dehumanization of the Iraqi people. As Edward Said has argued:

Representation of the conflict in the West, by the first week of the crisis in August, had succeeded, first in demonizing Saddam; second, in personalizing the crisis and eliminating Iraq as a nation, a people, a culture, a history; and third, in completely occluding the role of the United States and its allies in the formation of the crisis.¹⁷

Said has also explained that the Gulf War was part of a long and disastrous history of U.S. imperialist design in the region, as have many other anti-imperialist intellectuals like Robin Blackburn and Noam Chomsky. What should have given Hardt and Negri additional pause was the fact that this "global right" was being applied unequally. What sort of international juridical norms were being followed when they applied only to Iraq's occupation of Kuwait but not to Israel's occupation of the West Bank, Gaza, and the Golan Heights? If there is such a thing as a "new supranational right," why is it policed so selectively? Hardt and Negri remain untroubled by such questions. For them, the United States is simply constitutionally and historically privileged to selflessly act as a global "peace police" in order to safeguard and guarantee the public good, a role which it has been asked to assume by international organizations after the demise of the Soviet bloc. As Neil Smith argues, Hardt and Negri "swallow completely the conflation of narrow national self-interest of US elites with the facade of representing global good."¹⁸ Politically, this makes them complicit with every act of destruction wreaked in the name of global liberal norms from the Gulf War to Kosovo:

Those who present the US war drive as a force for liberal values and a move toward restoration of justice in the Gulf are complicit in the carnage and destruction wrought by Desert Storm to buttress a regional regime of oppression and economic exploitation.¹⁹

In reality, the new world order is substantially different from the one depicted in *Empire*. Imperialism has indeed persisted. And American empire is the real goal of globalization. This has been

clearly demonstrated in Peter Gowan's *The Global Gamble: Washington's Faustian Bid for World Dominance*. The new world order, he argues, is in essence about the U.S. drive to dominate the world economy unchallenged, to "go global" in order "to entrench the United States as the power that will control the major economic and political outcomes across the globe in the twenty-first century." Globalization and neoliberalism are U.S. strategies for global dominance, allowing the United States to shape both "the internal and external environments of states in directions which will induce them to continue to accept U.S. political and economic dominance."²⁰ Seeing globalization as a "process without a subject," as Hardt and Negri do in *Empire*, mystifies the real dynamics of U.S. global expansion in the 1990s and serves as an ideological cloak for U.S. imperialism. By confusing U.S. self-presentation with objective reality, they promote the crippling illusion that global power is without a dominant center. Put simply, what is globalization to the rest of the world is Americanization to the United States:

Globalization thus deglobalizes US macroeconomic policy...while other economies and governments experience new kinds of subordination to international economic processes, from the angle of the US economy globalization can rather present itself as an 'Americanization' of the world economy—a process of harmonizing the rest of the world to the rhythms and requirements of the U.S. economy.²¹

The pressure on the rest of the world has as a result been immense, forcing states themselves to become "efficient agencies for capitalist globalization."²² But this has not led to the construction of a global state or Empire. One of the basic features of U.S. globalization, contra Hardt and Negri, has been that it uses other states to promote its own interests. The state is necessary for globalization, and the question that therefore needs to be addressed is that of how the contemporary state has been restructured to perform the new requirements of the drive to "go global" by the United States. It is important to understand the process through which other states have internalized U.S. global demands, and to capture the way the U.S. pressures other states to bend to its will. This process is not only economic or military, but juridical as well. As Aijaz Ahmad observes: "national legal systems are being constantly pressed into altering their own laws to make them more compatible with—often mere facsimiles of—American law." He therefore concludes:

The non-territorial empire that has its capital in Washington D.C. thus takes over the actual internal functioning of far-flung nation-

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states three times over: under the lure and power of private transnational capital, under the regulatory regimes of the supranational institutions (the IMF and so on), and by turning the laws of various nations into replicas of American law.²³

Many of these features are specific to the 1990s, but some have a lineage that goes back to the early 1970s, if not before. One of U.S. imperialism's most dominant features in the postwar period has been its power to copy its relations of production inside other imperial metropolises. And this has continued, expanded, and intensified. Another important feature is that the United States has never sought to emulate old-style European imperialism by creating a juridical empire of its own. The reverse is actually true. Decolonization and formal juridical and political independence were necessary conditions for the United States' own domination and expansion.

The United States has in fact come to rely on the compliance of other states with its own military-political projects, and this was one of the most significant features of the Cold War era. Through the construction of an elaborate hub-and-spokes protectorate system, the United States was able to dominate its allies and determine their friends, enemies, states of emergency, foreign policies, and strategies of accumulation.²⁴ Allies were dependent on the United States to satisfy their security needs, and each individual ally's main strategic relationship had to be with the United States. Interimperial rivalries and antagonisms were therefore contained by the unity provided by U.S. domination. While never seeking to eliminate its allies as independent centers of capital accumulation, the United States always sought to *determine* their development. So Europe and Japan became strategically and politically dependent on the United States' relation with the Soviet Union, which the United States utilized to secure its own economic and political supremacy over the world market. Indeed, as David N. Gibbs has argued, the United States pursued a "double containment" strategy during the Cold War "to contain Communism and the capitalist allies of the United States in Europe simultaneously." The former was used to legitimize the latter. "With the demise of the Soviet Bloc, after 1989, the containment of allies has remained a central U.S. objective."²⁵ The crisis of the 1990s can therefore be read as a crisis of legitimacy for U.S. power: how to maintain and reproduce the Cold War structures of domination and dependency when they were no longer officially needed. This has been the challenge U.S. elites have had to grapple with in the 1990s.

In other words, the central U.S. objective has remained a constant since at least as far back as the First World War: global

domination. As the former Assistant Secretary of Defense Richard Armitage so succinctly put it in 1990, "There is absolutely no substitute for decisive, clearheaded American leadership."²⁶ The real challenge for the United States in the 1990s had been finding new ways to legitimize this proposition. The third world and Eastern Europe have had to bear the brunt of this process, as interimperialist tensions were projected outwards. Iraq, Bosnia, Kosovo, "humanitarian intervention," "just war," NATO expansion, and a host of other forms of statecraft like globalization and neoliberalism cannot be understood outside this essential fact. This explains, as Gowan has argued, the turbulence in transatlantic relations in the 1990s:

The entire shape of European politics, and economics in the 1990s has been shaped by the battles amongst the main NATO powers over how to reshape the political framework in Western Europe after it was shattered by the Soviet bloc collapse.

The United States has vehemently refused to renegotiate the basic terms and conditions of the "strong partnership" between itself and Europe:

In U.S. official parlance, the phrase "strong partnership" is code. In diplomatic language, it means strong U.S. leadership over Euroland. More bluntly, it means U.S. hegemonic leadership of Western Europe, the kind of "strong partnership" that used to exist during the Cold War (and in the Gulf War).²⁷

The United States has, as a result, continued to resist what can be described as the European ultra-imperialist project of carving up the rest of the world equally. As Lenin emphasized early last century, "uneven development and uneven distribution of power undermine any sense of equality in international relations. This has been borne out in international politics today. The United States does not accept what senior British diplomat Robert Cooper today calls postmodern or cooperative imperialism: "a framework in which each has a share in the government, in which no single country dominates and in which the governing principles are not ethnic but legal."²⁸ This project, which includes the International Criminal Court and other institutions for mutual state interference, sounds very much like Hardt and Negri's juridical Empire. And it stands in sharp contradiction with the United States' strategy to attain unchallenged supremacy over the world. The United States continues to interpret "cooperative empire" as a direct threat to its own Constitution and national interest since it involves subjecting U.S. domestic law to international constraints. The European Union has strongly argued against such a reading. It sees its version of globalization/imperialism—a network of shared sovereignty—as a

positive development in international relations. As its External Relations Commissioner Chris Patten recently said:

On the contrary, the instinct to return to a narrow definition of the national interest; to assert the primacy of US concerns, and especially economic interests, over any outside authority; constitutes a threat not just to the developing international order, but to the US itself.²⁹

The United States categorically refuses to partake in the European Union's "neoliberal cosmopolitanism": "the United States has not exhibited any discernible tendency either to abandon power politics or to subordinate itself to supra-national global authorities."³⁰ As the 1990s clearly demonstrated, maintaining a hierarchically structured unipolar global order has remained the United States' primary objective.

It is in this context that the "war on terrorism" needs to be understood. For Hardt and Negri, it signifies a rupture in the Empire project. After September 11, 2001, they have argued, the United States adopted a unilateral imperialist project, abandoning the decentered multilateralism of the network: Empire is no more, downgraded from an actuality into a potentiality, a mere alternative within global politics.³¹ This conception of contemporary international politics is pure idealism. Empire, like ultra-imperialism, has always been a theoretical possibility but never a reality—and it never can be, as the United States has insisted. The "war on terrorism" has only provided the United States with a means to legitimize a host of new imperialist measures (including "regime change" and "preemptive strike") in order to increase its global penetration. Combining growing authoritarianism at home with intensifying intervention abroad, the United States exploited the September 11 terrorist attacks to consolidate and extend existing U.S. strategies for world domination. As the *National Security Strategy of the United States of America*, published in September 2002, indicates, the global economy, free markets, and the national development of other states are all national security issues for the United States now. For example, "A return to strong economic growth in Europe and Japan is vital to U.S. national security interests." The sphere of the U.S.'s global interference is thus constantly being expanded. The domestic affairs of other nations are increasingly becoming U.S. affairs as well: "Today, the distinction between domestic and foreign affairs is diminishing. In a globalized world, events beyond America's borders have a greater impact inside them."

Militarily, deterrence is no longer sufficient. A proactive policy of preemption and prevention is necessary to counter an elusive and

fluid foe like terrorism, giving the United States the right to dictate any measures it deems necessary for its own protection. It is rather ironic yet quite apt that the administration chooses to call such a global strategy of domination and intervention "American internationalism." What Trotsky dreaded early in the last century has come to pass: the globe has finally been Americanized. Or, as Perry Anderson has put it, America has been internationalized:

Internationalism in this sense is no longer coordination of the major capitalist powers under American dominance against a common enemy, the negative task of the Cold War, but an affirmative ideal—the reconstruction of the globe in the American image, *sans phrases*.³²

Postmodern Désertions

The arrogance of the "international community" and its rights of intervention across the globe are not a series of arbitrary events or disconnected episodes. They compose a system, which needs to be fought with a coherence not less than its own.³³

Desertion is not a particularly socialist (or even political) value, yet it occupies a central place in Hardt and Negri's conception of change in Empire. To desert, as the Oxford English Dictionary states, is "to abandon, forsake, relinquish, give up (a thing); to depart from (a place or position)." It signifies failure and a violation of an oath or allegiance. Desertion is wilful abandonment of duty or obligation. There is also a condition of being deserted, desertedness, which, interestingly, in a theological register, signifies spiritual despondency: "A sense of the dereliction of God (Johnson)."

Empire is premised on the power of desertion and nomadism. Having in one breath criticized postcolonial theory for being outmoded, Hardt and Negri go on to privilege its most recent theoretical trope in the next: the migrant as bearer of truth, as symbol of a new world and its liberatory potential. Through migrancy, the multitude anticipates and invents Empire: "The deterritorializing power of the multitude is the productive force that sustains Empire and at the same time the force that calls for and makes necessary its destruction" (61). At the same time as being controlled by Empire, the multitude determines its development: "it is always the initiatives of organized labor power that determine the figure of capitalist development" (208). Which turns Marx on his head. In *Capital*, proletarian migrancy or nomad labor is a symptom of the power of capital: "They are the light infantry of capital, thrown by it, according to its needs, now to this point, now to that. When they are not on the march, they 'camp.'"³⁴ Undermining Marx's emphasis on the rule of capital over labor, the

struggle between capital and labor comes then to be defined through desertion, exodus, and refusal. Hardt and Negri substitute political passivity for challenge and opposition to capital. Class struggle becomes about disengagement. The politics of refusal becomes, in anarchist mode, a refusal of politics. It is quite ironic, therefore, that after presenting Empire as a realm "beyond politics," Hardt and Negri end up advocating a reformist sort of politics—like the right to global citizenship, a social wage, and the right of reappropriation. But then such a contradiction between revolutionary rhetoric and reformist practice is itself a dominant feature of some brands of anarchism.

For Hardt and Negri, migration becomes the new vanguard activity—even though they reject vanguardism as a political form. Evoking the *Communist Manifesto*, they state that "A specter haunts the world and it is the specter of migration. All the powers of the old world are allied in a merciless operation against it, but the movement is irresistible" (213). "Migration" is here substituted for Marx and Engels's original "Communism." The shift is emblematic. A social process is substituted for a political party/subject. And this has also been the dominant logic of social movements since the 1970s, as James Heartfield has observed: "The real meaning of the 'new social movements' is a move away from the idea of an agent of social transformation altogether. The novel forms of organization are a break with the idea of collective agency."³⁵ The decline and defeat of the working class as a political force from the late 1970s onwards has indeed been the primary precondition for the rise of social movements like "direct action," environmentalism, feminism, indigenism, NGOs, and, today, the anticapitalist movement.

Empire is quite explicit, therefore, in its rejection of proletarian forms of political organization. Internationalism is a case in point. Hardt and Negri are particularly eager to dispel the notion that internationalism has any role to play in contemporary politics. "Today we should all clearly recognize," they state, "that the time of such proletarian internationalism is over" (50). Globalization is a response to internationalism rather than a result of its failure. Again, workers have "anticipated and prefigured the processes of the globalization of capital and the formation of Empire" (51). Global capital emulates international struggles, they claim. Having prefigured Empire, proletarian internationalism has become outmoded, its tactics and strategy "completely irretrievable" (59). As "*struggles have become all but incommunicable*" (54), they "do not link horizontally, but each one leaps vertically, directly to the virtual center of Empire" (58). In a reversal of the shared

antagonisms and resemblances of proletarian internationalism, difference rules in struggles today: "Enlightenment is the problem and postmodernism is the solution" (140). But what sort of solution is it? Have the problems of inequality, exploitation, and binary antagonisms generated by capitalism really been resolved in postmodernity?

Empire seems to have resolved these problems away by performing a double evacuation: both of structure and of agency. With the dilution of an objective power structure comes the liquidation of a subject of liberation. If *Empire* is centerless, then so is counter-*Empire*. Hardt and Negri's rejection of internationalism is therefore premised on the flawed assumption that the nation-state has disappeared, when, in fact, it has only been restructured. If state power has not evaporated in *Empire*/globalization but only been reconfigured, then their politics of difference is an evasion of political action. Which means that the moment of "the missed opportunities of international socialism" has not become redundant.³⁶ Neither has the strategy of capturing state power as the main objective of revolutionary movements. As Marx and Engels put it in the *Manifesto*: "Though not in substance, yet in form, the struggle of the proletariat with the bourgeoisie is at first a national struggle. The proletariat of each must, of course, first of all settle matters with its own bourgeoisie."³⁷

But who in postmodernity is to counter and overcome "American internationalism," and guarantee that "neoliberal cosmopolitanism"—its equally imperialist EU competitor—is defeated as well? The real question is slightly different, as Ralph Miliband observes: who is structurally capable of transforming global capitalism and overcoming the logic of its domination? Miliband had no doubts that it can only be the working class, the subordinated majority. If the working class does not overcome the rule of capital, then, quite simply, nobody else will:

[T]he "primacy" of organized labor in struggle arises from the fact that no other group, movement or force in capitalist society is remotely capable of mounting as effective and formidable a challenge to the existing structures of power and privilege as it is in the power of organized labor to mount. In no way is this to say that movements of women, blacks, peace activists, ecologists, gays, and others are not important, or cannot have effect, or that they ought to surrender separate identity. Not at all. It is only to say that the principal (not the only) "gravedigger" of capitalism remains the organized working class. Here is the necessary, indispensable "agency of historical change." And if, as one is constantly told is the case, the organized working class will refuse to do the job, then the job will not be done.³⁸

Put differently: only the “particularized universalism” of socialist internationalism can counter the “universalized particularism”³⁹ of postmodern American internationalism. The postmodern left has deserted this position and, in so doing, has refused to acknowledge the unprecedented power of global capitalist domination. Capitalism, it turns out, is not at all as all-powerful as Marxists thought it was before the days of deconstruction. It is actually “a paper tiger”⁴⁰ and has no essential identity. Between such denial and Hardt and Negri’s euphoria, capitalism is left unchallenged. Part of today’s necessary “uncompromising realism” is an appreciation of the force and truth of Miliband’s statement above. Only by “refusing any accommodation with the ruling system, and rejecting every piety and euphemism that would understate its power”⁴¹ can a real appreciation of the tasks ahead be achieved. Idealism and mystification will only undermine any re-emerging potential for real transformation in the future.

Notes

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4. All quotes in paragraph are from V. I. Lenin, “Imperialism: The Highest Stage of Capitalism,” in *Selected Works* (Moscow: Progress Publishers, 1968), 169–292.
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6. Lenin, “Introduction,” 12.
7. Lenin, “Imperialism,” 232.
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9. Lenin, “Imperialism,” 232–233.
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MONTHLY REVIEW

fifty YEARS AGO

The American people, by and large, are against colonialism and aggression and believe in the right of every country to manage its own affairs free from outside interference.

Rarely have these simple principles been so clearly and grossly violated as in present United States policy toward Indo-China.

To the extent that we support France—and we are already paying about four-fifths of the cost of the French military effort in Indo-China—we support both colonialism and aggression. To the extent that we support Bao Dai, we claim the right to tell the Vietnamese people who should rule them. And if we send American forces into Indo-China, as [Secretary of State] Dulles and other high government spokesmen have repeatedly threatened to do in the last two months, we shall be guilty of aggression ourselves.

—Leo Huberman and Paul M. Sweezy, "What Every American Should Know About 'Indo-China,'" *Monthly Review*, June 1954

Context: Occupied by the French in 1858, Vietnam (along with Laos, and Cambodia) was the eastern salient of France's global imperial ambitions. During the Second World War, they were ruled by France's pro-Nazi Vichy government which cooperated with the Japanese invaders. But, by that time, the Vietnamese anticolonial Marxist revolutionaries, Ho Chi Minh and Vo Nguyen Giap, were leading a nationalist and communist insurgency against the Japanese. At the end of the war, much of Vietnam was in the hands of Ho's and Vo's troops and they proclaimed an independent republic. However, the French, aided by the British and remaining Japanese, reasserted control and a decade-long guerilla war ensued.

By early 1954, despite an army of nearly a half-million soldiers, and massive Cold War-inspired U.S. military aid, French forces (including many former-Axis mercenaries) were pinned down in a few large bases. A proposal by U.S. military advisers to use nuclear weapons to defend those bases was, fortunately, rejected by President Eisenhower. In March, at the beginning of the rainy season the insurgents (now called Viet Minh) launched a huge assault on the French stronghold of Dien Bien Phu. Using mostly captured weapons, the Viet Minh encircled the French base and blocked U.S. attempts to resupply the French forces. Finally, in May, at about the same time Huberman and Sweezy wrote the above, the French army surrendered.

At a conference in Geneva later that year, attended by the French, the Vietnamese, the United States, the Soviet Union, and, for the first time, the Chinese Communists, Vietnam was divided at the 17th parallel, with Ho governing the North. Although free elections were promised for 1956 they were never held, laying the groundwork for the Washington's intervention in 1960 and the longest and most disastrous war in U.S. history. The successful siege at Dien Bien Phu arguably marked the first great success of postwar liberation struggles foreshadowing similar insurgencies in Asia, Africa, and Latin America.—Eds. of MR

Puerto Rican Obituary

PEDRO PIETRI

"Puerto Rican Obituary" was first read in 1969 at a rally in support of the Young Lords Party, an anti-imperialist Latino youth group in New York. Like the Black Panther Party, the Young Lords were community activists, supporting demands for fair and affordable housing and decent health care, and they ran free breakfast programs for children. They linked their neighborhood militancy to a program that called for the end of U.S. imperial adventurism in Vietnam and elsewhere, third world liberation, an end to the oppression of the poor and people of color, and the building of a socialist society. The Young Lords were destroyed by U.S. government provocations in the mid 1970s, but Pedro Pietri continued on as a radical activist and poet—he saw no distinction between these roles. Most notably he helped to found and sustain the Nuyorican Poets Café, an acclaimed center for oppositional arts and literature.

Pedro Pietri was born in Ponce, Puerto Rico in 1944 and raised in Harlem. After high school, he was drafted into the U.S. army, served in Vietnam, and returned to the United States a fierce opponent of that war and the system that spawned it. "I realised who the real enemy was, and it was not the Vietcong in their black pajamas, but the mercenaries who invaded their country." On fire with rage against the system, he wrote, "Puerto Rican Obituary," first published in a collection of his work with the same title by Monthly Review Press in 1973, as well as eight other volumes of verse. Pedro Pietri died of cancer, aged 59, on March 3, 2004.

The power, insight, and message of "Puerto Rican Obituary" continue to resonate among activists and dreamers all over the world. As the New York Times put it recently "three decades ago, a poem ignited a movement."—Eds. of MR

They worked
They were always on time
They were never late
They never spoke back
when they were insulted
They worked
They never took days off

that were not on the calendar
They never went on strike
without permission
They worked
ten days a week
and were only paid for five
They worked

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POETRY

They worked
 They worked
 and they died
 They died broke
 They died owing
 They died never knowing
 what the front entrance
 of the first national city bank
 looks like

Juan
 Miguel
 Milagros
 Olga
 Manuel
 All died yesterday today
 and will die again tomorrow
 passing their bill collectors
 on to the next of kin
 All died
 waiting for the garden of eden
 to open up again
 under a new management
 All died
 dreaming about america
 waking them up in the middle
 of the night
 screaming: Mira Mira
 your name is on the winning
 lottery ticket
 for one hundred thousand dollars
 All died
 hating the grocery stores
 that sold them make-believe steak
 and bullet-proof rice and beans
 All died waiting dreaming and
 hating

Dead Puerto Ricans
 Who never knew they were
 Puerto Ricans
 Who never took a coffee break

from the ten commandments
 to KILL KILL KILL
 the landlords of their cracked
 skulls
 and communicate with their latino
 souls

Juan
 Miguel
 Milagros
 Olga
 Manuel
 From the nervous breakdown
 streets
 where the mice live like
 millionaires
 and the people do not live at all
 are dead and were never alive

Juan
 died waiting for his number to hit
 Miguel
 died waiting for the welfare check
 to come and go and come again
 Milagros
 died waiting for her ten children
 to grow up and work
 so she could quit working
 Olga
 died waiting for a five dollar raise
 Manuel
 died waiting for his supervisor to
 drop dead
 so he could get a promotion

Is a long ride
 from Spanish Harlem
 to long island cemetery
 where they were buried
 First the train
 and then the bus
 and the cold cuts for lunch

and the flowers
that will be stolen
when visiting hours are over
Is very expensive
Is very expensive
But they understand
Their parents understood
Is a long non-profit ride
from Spanish Harlem
to long island cemetery

Juan
Miguel
Milagros
Olga
Manuel
All died yesterday today
and will die again tomorrow
Dreaming
Dreaming about queens
Clean-cut lily-white neighborhood
Puerto Ricanless scene
Thirty-thousand-dollar home
The first spics on the block
Proud to belong to a community
of gringos who want them lynched
Proud to be a long distance away
from the sacred phrase: Que Pasa

These dreams
These empty dreams
from the make-believe bedrooms
their parents left them
are the after-effects
of television programs
about the ideal
white american family
with black maids
and latino janitors
who are well train
to make everyone

and their bill collectors
laugh at them
and the people they represent

Juan
died dreaming about a new car
Miguel
died dreaming about new
anti-poverty programs

Milagros
died dreaming about a trip to
Puerto Rico

Olga
died dreaming about real jewelry
Manuel
died dreaming about the irish
sweepstakes

They all died
like a hero sandwich dies
in the garment district
at twelve o'clock in the afternoon
social security number to ashes
union dues to dust

They knew
they were born to weep
and keep the morticians employed
as long as they pledge allegiance
to the flag that wants them
destroyed

They saw their names listed
in the telephone directory of
destruction

They were train to turn
the other cheek by newspapers
that misspelled mispronounced
and misunderstood their names
and celebrated when death came
and stole their final laundry ticket

POETRY

They were born dead
and they died dead

Is time
to visit sister lopez again
the number one healer
and fortune card dealer
in Spanish Harlem
She can communicate
with your late relatives
for a reasonable fee
Good news is guaranteed

Rise Table Rise Table
death is not dumb and disable
Those who love you want to know
the correct number to play
Let them know this right away
Rise Table Rise Table
death is not dumb and disable
Now that your problems are over
and the world is off your shoulders
help those who you left behind
find financial peace of mind

Rise Table Rise Table
death is not dumb and disable
If the right number we hit
all our problems will split
and we will visit your grave
on every legal holiday
Those who love you want to know
the correct number to play
let them know this right away
We know your spirit is able
Death is not dumb and disable
RISE TABLE RISE TABLE

Juan
Miguel
Milagros

Olga
Manuel
All died yesterday today
and will die again tomorrow
Hating fighting and stealing
broken windows from each other
Practicing a religion without a roof
The old testament
The new testament
according to the gospel
of the internal revenue
the judge and jury and executioner
protector and eternal bill collector

Secondhand shit for sale
learn how to say Como Esta Usted
and you will make a fortune
They are dead
They are dead
and will not return from the dead
until they stop neglecting
the art of their dialogue
for broken english lessons
to impress the mister goldsteins
who keep them employed
as lavaplatos porters messenger boys
factory workers maids stock clerks
shipping clerks assistant mailroom
assistant, assistant assistant
to the assistant's assistant
assistant lavaplatos and automatic
artificial smiling doormen
for the lowest wages of the ages
and rages when you demand a raise
because is against the company policy
to promote SPICS SPICS SPICS

Juan
died hating Miguel because
Miguel's

used car was in better running
 condition
 than his used car
 Miguel
 died hating Milagros because
 Milagros
 had a color television set
 and he could not afford one yet
 Milagros
 died hating Olga because Olga
 made five dollars more on the
 same job
 Olga
 died hating Manuel because
 Manuel
 had hit the numbers more times
 than she had hit the numbers
 Manuel
 died hating all of them
 Juan
 Miguel
 Milagros
 and Olga
 because they all spoke broken
 english
 more fluently than he did

 And now they are together
 in the main lobby of the void
 Addicted to silence
 Off limits to the wind
 Confine to worm supremacy
 in long island cemetery
 This is the groovy hereafter
 the protestant collection box
 was talking so loud and proud
 about

 Here lies Juan
 Here lies Miguel
 Here lies Milagros

Here lies Olga
 Here lies Manuel
 who died yesterday today
 and will die again tomorrow
 Always broke
 Always owing
 Never knowing
 that they are beautiful people
 Never knowing
 the geography of their complexion

 PUERTO RICO IS A BEAUTIFUL
 PLACE
 PUERTORRIQUENOS ARE A
 BEAUTIFUL RACE

 If only they
 had turned off the television
 and tune into their own
 imaginations
 If only they
 had used the white supremacy
 bibles
 for toilet paper purpose
 and make their latino souls
 the only religion of their race
 If only they
 had return to the definition of
 the sun
 after the first mental snowstorm
 on the summer of their senses
 If only they
 had kept their eyes open
 at the funeral of their fellow
 employees
 who came to this country to make
 a fortune
 and were buried without
 underwears

POETRY

Juan
Miguel
Milagros
Olga
Manuel
will right now be doing their
own thing
where beautiful people sing
and dance and work together
where the wind is a stranger
to miserable weather conditions
where you do not need a dictionary
to communicate with your people
Aqui Se Habla Espanol all the
time

Aqui you salute your flag first
Aqui there are no dial soap
commercial
Aqui everybody smells good
Aqui tv dinners do not have a
future
Aqui the men and women admire
desire
and never get tired of each other
Aqui Que Paso Power is what's
happening
Aqui to be called negrito
means to be called LOVE



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Anne Braden Subversive Southerner

MICHAEL HONEY

Catherine Fosl, *Subversive Southerner: Anne Braden and the Struggle for Racial Justice in the Cold War South* (New York: Palgrave MacMillan, 2002), 418 pages, \$35.00 hardcover, \$19.95 paperback.

Anne Braden wrote a long article for *Monthly Review* (July-August 1965) on "The Southern Freedom Movement in Perspective." In that perceptive piece, she introduced a national audience to the history of Southern organizing, explained how white supremacy's system of divide and rule created a police state in the South, and analyzed the era's promising struggles by black and white Southerners to overturn Jim Crow. In conclusion, she wondered whether the movement would now also take up fundamental economic questions concerning capitalism and socialism as a part of its larger goals. She raised these issues not as a criticism, but as a question: "Is it possible that the moral fire of the freedom movement can yet be merged with a clear vision of a new social order for the nation?" It was typical of Anne Braden: a positive, humanist voice, posing searching questions that other people often feared to ask. Although a veteran socialist and a key actor in the movement, she did not presume to have answers for other people. She worked and thought and wrote in a critical yet democratic fashion, urging others to come to their own conclusions.

While she nurtured internal dialogue and debate within the Southern movement, she also provided powerful humanist propaganda to bring down the Jim Crow system. In her book, *The Wall Between* (1958), published by Monthly Review Press, in pamphlets like "HUAC: Bulwark of Segregation" (1963), and in the many stories she wrote for the monthly newspaper she edited, *The Southern Patriot*, she pinpointed the atrocities of white supremacy

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BOOK REVIEW

while giving hope that ordinary people could bring it to an end through determined education and organizing. She found ways to get the mass media to cover movement stories while creating a movement media as well, one that conveyed personal examples of how racism damaged human rights and that demonstrated why blacks and whites had an equal stake in removing this cancer from American society. She came to understand and articulate as well as anyone in her time that, as she told the Women's International League for Peace and Freedom in 1975, the fight against racism is "the key to a new society."

Few today know that in the hard times and bitter terrain of the 1950s, Anne and her husband Carl planted many of the seeds that blossomed into the black freedom, student, anti-imperialist and women's movements of the 1960s and 1970s. Catherine Fosl's biography opens up a great sweep of Southern movement history to a broad audience, putting Anne Braden's life and struggles in both a regional and national context while helping us understand how this indefatigable fighter for social justice came to be.

Many of us who gained our organizing experience in the Southern movement came to know Anne Braden as part of an inseparable team, and one of this book's strong points is that it helps us to understand Anne in relationship to her freedom-fighting husband Carl as well as in her own terms. A distinctive characteristic of the Bradens' work was their ability to fight back against repression as a way to organize people and expose submerged issues. Repression, they often said, was just another opportunity to organize. They led dozens of campaigns to defend victims of racism, from Willie McGee (legally lynched by the state of Mississippi in 1952), to African-American and other movement organizers across the South in the 1960s, to Angela Davis in California, and to Ben Chavis and the Wilmington Ten in North Carolina in the early 1970s. Antirepression organizing grew out of their own experiences and connections to the left. Anne had her first arrest in Mississippi as a pregnant white woman fighting phony rape charges against McGee, and she and Carl worked with William Patterson and the Civil Rights Congress against that and other cases of racism and repression during the early years of the red scare.

The Bradens always linked demands for equal rights for African Americans to a broader struggle against the inherent class oppression of capitalism. Anne in particular stressed that whites had to give up their limited and questionable racial privileges before a real movement of the left could succeed. The Bradens came to their understanding through personal experience in the labor left within the Congress of Industrial Organizations (CIO), which

immeasurably helped to open up Southern organizing in the 1930s and 1940s. Through leftist union and civil rights work, they became ecumenical supporters of socialism and part of a popular front to build a broad movement for social change.

Fosl's biography interestingly contrasts Carl's upbringing in a poor, white, union household to Anne's proper middle-class origins in Alabama. She went to women's prep schools and colleges, and had been "bred" to marry into the small Southern middle class. Like Carl (who was raised a Catholic) she drew inspiration and idealism from religion, and remained a part of the Episcopal Church all of her life. Her spiritual idealism gave her an alternative worldview hostile to segregation, and personal encounters with white supremacy as a college student and journalist turned her stomach. Anne understood Jim Crow from the inside because she grew up submerged in the claustrophobic culture of the middle-class white South, and she turned her back on its supposed advantages as a young woman based on her faith that a much better life was possible. Rejecting her supposed privileges as a white Southerner, she went north to Louisville, where she met Carl as a fellow reporter. She was more than ready to discover his working-class and socialist world. As she told Fosl, "To me, changing sides in the class struggle—deciding to be on the side of oppressed people instead of the oppressor—was the key to all the changes in my life. If I had not done that, I don't think I could have changed sides in the racial struggle. I would have been just a white liberal" (338).

The love affair between Carl and Anne helped to build their mutual commitment to changing the world through labor and civil rights organizing and strengthened them in throwing aside the questionable advantages of "being white." As a couple, they joined the integrationist campaign for Henry Wallace's Progressive Party in 1948, took up various campaigns to desegregate Louisville's housing, hospitals, schools, and jobs, and became vibrant participants in a revived postwar popular front. They organized their work and family life on a more or less equal basis, and at one point both quit their paying jobs as commercial journalists to work together as publicity directors in the postwar left side of the labor movement. Redefining what it meant to be a white woman in a racist, patriarchal society, Anne became, in Fosl's words, a "subversive southerner" by rejecting white supremacy and the class system, but also by going her own way as an independent woman, professional, and activist. Although she ultimately bore three children, she never succumbed to the "feminine mystique" of a privatized family life in which the woman did all the work at home and the man brought home the income.

She and Carl worked as a team, as many leftists have tried to do, and they succeeded better than most.

As the Bradens put their egalitarian principles to work, they became pariahs in Kentucky. Their persecution began in the wake of the Supreme Court's *Brown v. Board of Education* decision in 1954, when they sold a home to Andrew and Rosemary Wade, a black couple who had not been able to break out of the ghettoized, segregated housing market. Vigilantes threatened the Wades repeatedly and then bombed their home and a mob also threatened the Bradens. Prosecutors charged them with sedition under the absurd theory that they sold to the Wades as part of a Communist plot to stir up race war and ultimately overthrow the state of Kentucky. Carl's Marxist library became a prime exhibit during the trial, and he received a 15-year sentence for state sedition (later overturned by the Supreme Court). He spent many days in solitary confinement and many more months in jail under a heavy bond while the Wade family and all of the people associated with the Bradens came under heavy attack, and many of them were forced to leave town. African Americans faced far more serious terror on a daily basis than whites, yet among the many cases of repression in that period the Braden case commanded some special national attention. The absurdity of the charges, the viciousness of the sentence, and the racism unleashed in the community against the Wades provided a stunning example of how white supremacy and anticommunism combined in the 1950s to destroy democracy.

Fosl documents in chilling detail the heavy price the Bradens paid for their resistance. Carl lost a job at the *Louisville Courier-Journal* and he and Anne both became nearly unemployable. Each of them repeatedly spent time in jail. They raised three children in the midst of indictments, arrests, imprisonments, ostracism, and poverty. Anne's parents questioned her worthiness as a mother, and the Bradens lost a young daughter to disease at the height of the family's personal trials. They lived under tremendous pressure, which I think in part led to Carl's sudden death in 1975. Anne remained remarkably resilient and continues her antiracist work to the present day.

Throughout the 1950s, 1960s, and 1970s segregationists used redbaiting against the Bradens and all of their associates as a way to divide the civil rights movement and cut its connections to the left. Instead of leaving town, the Bradens took up posts as codirectors of the Southern Conference Educational Fund (SCEF), an interracial organization dedicated to the freedom movement, with Anne also serving as editor of the *Southern Patriot*. Red hunters forevermore cited SCEF as a "communist front" and every right-

wing think tank, action group, or state investigative committee tried to silence the freedom movement by somehow connecting it to the Bradens, supposedly secret members of the Communist Party (CP). Carl at one point said he was not a member and Anne never said, but they both took the position that First Amendment protections of freedom of speech, association, and thought had to remain the bedrock for any movement of the left. As Carl told the House Un-American Activities Committee in 1958, "my beliefs and my associations are none of the business of this committee."

Their refusal to leave the South or to break under the pressures provided an important example that one could stand one's ground in the South. It also helped civil rights activists to rethink the issue of anticommunism. Ultimately, most Student Nonviolent Coordinating Committee workers rejected anticommunism completely because of its use to repress clear allies such as the Bradens. Martin Luther King supported them too, even as he tried to steer clear of overt left entanglements. Fred Shuttlesworth, Ella Baker, and others in the freedom movement made their association with the Bradens a matter of special pride. Their continuing refusal to disassociate themselves from socialism and leftist politics ultimately helped to shift the Southern freedom movement's politics to the left and provided a crucial generational bridge between the nearly demolished older Southern left and the New Left of the 1960s.

Some movement supporters did not then, and do not today, fully appreciate the First Amendment position taken by the Bradens. One recent review of *Subversive Southerner*, for example, criticized Fosl because she had not gotten Anne to answer whether or not she had been a member of the CP. Anne, however, saw fighting anticommunism itself as a matter of principle. Trying to answer the "are you now or have you ever been" question, Anne said, tied organizations in knots internally, diverted them from their objectives and squandered their energies. She told Fosl, "It became very important, not just as a matter of principle, but as a matter of practical politics, not to give into that. Either you resisted it or you were a part of it. There was no neutral ground. Whether you were a Communist or not, if you answered the question, you were conceding to the assumption that the very question was the test of whether you could be considered a human being or not" (171). Sadly, a twisted sort of ultraleftist redbaiting led by Maoists helped to finally divide and destroy the Bradens' organization from within in the early 1970s.

Anticommunism had a far more deadly effect on civil rights struggles in the South than most of our histories of the movement

admit, and we are still dealing with its destructive permutations. This particular obsession is certainly not over. A reporter from San Francisco recently called to ask me whether I believed records from the Venona archives might prove at last that Harry Bridges, the organizer and leader of the International Longshore and Warehouse Union, once belonged to the CP, although he spent 30 years denying it. I don't trust these records, nor the way they are being interpreted by the select handful of scholars allowed to see them, and I also had to say that I really don't care if Bridges was or was not a member. In the intolerant era of President George W. Bush such answers are not acceptable, and though the labels are different the methods and the targets of divide and rule remain quite familiar.

The Bradens did not need to tell those of us who worked with them whether or not they belonged to the CP for us to know where they stood, for they talked about socialism and the anti-imperialist struggle and brought radical politics to all their endeavors. Yet they also had a pragmatic and ecumenical brand of struggle that did not exclude others. Most important, they helped us to see in a variety of practical ways that we could never build a serious movement for social change without fighting racism and respecting the leadership of African Americans and other people of color. Anne made the point in her writings and speeches over and over again: none of us are free until all of us are free. Conversely, she argued that the successes of the black freedom movement opened up social programs and broke down barriers to education and decent jobs that benefited not only African Americans but white women, other people of color, gays and lesbians, the disabled, and all workers. She continues to insist that antiracism must be a cornerstone of any movement for social and economic justice.

Catherine Fosl's book is required reading for anyone who cares about the history of social movements. Told through the eyes of a Southern radical, it carries a message that racism, sexism, new and old forms of antiradicalism, and various forms of repression and war are all interrelated parts of the same invidious system and must all be fought. This sterling biography concentrates most of its 300-plus pages on the period leading to the 1970s, and there is surely more to tell. Let's hope that more people follow Fosl's pioneering study. Civil libertarian socialists (Frank Wilkinson is another) and Southern antiracists have been crucial in supporting and developing movements for fundamental social change. They fought for an American radicalism that would both save democratic rights and destroy white supremacy. It is our daunting task to record, understand, and follow their lead.

Commentary from _____

Monthly Review

June 2004, Vol.56, No.2

**Editors: HARRY MAGDOFF, JOHN BELLAMY FOSTER,
ROBERT W. McCHESNEY, PAUL M. SWEETZ (1910-2004),
LEO HUBERMAN (1903-1968)**

A note to MR readers from Bob McChesney:

In 2000 I agreed to become coeditor of *Monthly Review* along with my dear friend John Bellamy Foster. I had been reading *MR* since 1972 when I was a teenager and had been educated, enlightened, and inspired by it, and the work of editors Paul Sweezy and Harry Magdoff. I had introduced John to the magazine soon after I discovered it. By the 1990s I had become a regular contributor to *MR*. When John and Harry asked me to join them as a coeditor I initially balked. I already had a very full schedule and there was no sign it would abate. Plus, I was a media historian and critic; not an economist. But John, in particular, insisted that my involvement was necessary to bring *MR* through a difficult transition editorially and financially. He promised me that he would do most of the work. I agreed with an understanding that I would have to revisit the situation in due time.

That time has come. *MR*'s subscriptions are now at the highest level they have been in more than two decades, and we are within sight of the peak reached in the early 1970s. John Bellamy Foster has kept his promise to me and then some. He, along with Harry and an exceptional editorial committee, have done virtually all of the heavy lifting with respect to editorial labor on the magazine. My own career has veered off into media activism in a manner I did not anticipate in 2000 or 2001. Last year I took what was, in effect, a leave of absence as editor of the magazine in response to the meteoric rise of the media reform movement and the enormous demands it placed on me as a political organizer and writer. These demands have only grown over the past year, however, and by 2004 my editorial contribution to *MR* has become all but nonexistent. As a result I have ceased to function as an *MR* editor in anything but name and my initial leave of absence has stretched into a situation that can only be regarded as permanent.

Accordingly, I will no longer be listed as an editor in the *MR* staffbox. Yet, my actual labor for the magazine—which throughout has been less that of editing than writing periodically and serving as a member of the *MR* Board—will remain pretty much the same. Only my title (which will now be designated as that of a director of the *MR* Foundation) will change to better reflect what I actually do. In all of this I want to stress that *MR* is a family and that it remains my family. We are in this together and for the long haul, though my title is changing to reflect my actual contribution. I hope and trust you will continue to join me in supporting *MR*.

(continued on page 30)

William Hinton (1919-2004)

William Hinton will be mourned by people around the world. He was a treasurehouse of knowledge on the revolutionary transformation of Chinese agriculture. But further, in recent times, in the face of systematic denigration of the Chinese revolution by the western media and by the present rulers of China themselves, Hinton stood up to assert, with an authority both “red and expert”, that the revolution was justified and *necessary*.

From his teens, Hinton exhibited a hunger for *direct experience* of the world—scaling an unclimbed peak in Canada while still in high school, and taking a year off before college to travel around the country and the world, working his way at such varied jobs as a dishwasher, brick cleaner, newspaper correspondent and ship’s machine boy. This last carried him to Japan, from where he went on to northeastern China, through the Soviet Union, Europe and finally to a ship back to the US. After such an education, it is not surprising that at Harvard he felt too far away from “the real world”. Despite flourishing academically there, he transferred to Cornell to study agriculture.

It was reading Edgar Snow’s *Red Star over China* in 1942 that changed him from a pacifist to a Marxist. From then on, whatever the varied nature of his work—writer, farmer, farmers’ organiser, agricultural expert, newspaper correspondent, film-maker and myriad other jobs—he thought of himself principally as a *Marxist revolutionary*. “What has meant the most to me”, he told a 1991 Harvard reunion, “is the world outlook of Marxism. I began to study Marxism in 1943... and (it) has motivated the whole of my life since.”

He found his way back to China in 1945 and again in 1947, the last time as a tractor technician with the United Nations Relief and Rehabilitation Agency. He managed to stay on in Communist-held north China teaching English, and seized the chance to join as an observer a land reform work-team sent to Long Bow village in Shanxi province. The following six months in Long Bow would change his life. He took a thousand pages of notes, and participated “directly in the revolutionary transformation of China, the greatest social upheaval of all time, at least in terms of numbers. It has been an experience to savor and renew, again and again. I would not exchange it for any other.”

Upon his return to the US in 1953, his notes and his passport were seized and he was hauled up before the Senate Subcommittee on Internal Security. This did not deter him from travelling incessantly across the US to tell people the truth about the Chinese Revolution. That year alone, at the height of McCarthyism, he gave 300 such talks.

The credit for the preparation of this obituary goes to The Research Unit of Political Economy (R.U.P.E), Mumbai.

After recovering his notes in 1958 through a court suit, he wrote *Fanshen*, on how land reform was carried out at Long Bow. When other publishers turned it down, he turned to Monthly Review Press. It became an extraordinary success, eventually selling hundreds of thousands of copies, and getting translated into a number of languages. Through the story of Long Bow emerged a picture of the New Democratic land reform throughout China. *Fanshen* showed how land reform, while led by the Communist Party, was not merely the implementation of a central fiat, but was embraced by the Chinese peasantry themselves because it accorded with their objective need.

Apart from its richness of detail and depth of sympathy, *Fanshen* was striking for its candour. It made no attempt to cover up serious offences by Party members and even errors of Party policy, and it made no attempt to prettify or romanticise the people. Rather, it revealed the process by which those errors were corrected, wrongs righted, Party members reformed, and people convinced: criticism and self-criticism not only within the Party, but also by *the people*. It showed concretely how, while the Party was the leading element, the people were the authority.

The revolutionary land reform in Long Bow had immediate material consequences. First, where once each peasant family struggled for sheer survival, it now had enough to live on; and second, the surplus of agriculture was no longer drained off by a parasitic class of landlords, but remained in the hands of the people for reinvestment. But it also had profound political and cultural consequences. "*Fanshen*" meant literally "to turn over". In the course of the Chinese revolution it came to mean to throw off the landlord yoke by seizing land, stock, implements and houses, and further, by transforming society and culture. Peasants, so long under the sway of reactionary and fatalistic philosophies which taught them to submit to feudal oppression (how familiar we are with that phenomenon in India!), for the first time tasted democracy, engaged in political action, and began to think of their own organised body as the authority in their lives. Without this liberation, they would be unable to take further initiatives even in production.

Fanshen's significance was not limited to understanding the Chinese revolution. Hinton wrote in his preface of 1966:

"I believe that this book is at least as timely today as it would have been had it come out eighteen years ago when I first gathered the raw notes for it in Long Bow Village. What happened in China yesterday may well happen in Brazil, Nigeria or India tomorrow."

Thirty-eight years since he wrote those words, they remain as timely: India has yet to undergo its *fanshen*, and its retrogressive agrarian scene still casts its pall over all of Indian society and economy.

The great democratic awakening and mammoth re-ordering of material base immediately gave birth to fresh questions, already posed by the end of *Fanshen*. The peasants now had land of their own, but their holdings

were tiny, further divided into scattered strips, making any type of mechanisation impossible. Even the largest holding in Long Bow could not effectively use all the productive capacity of one mule. Moreover, there was vast surplus labour available and there was need for major capital construction to improve agriculture (dams, irrigation systems, drainage networks, hill terraces, reclamation of wetlands, and so on). But it was only possible to mobilise this labour, and to eliminate individual losses of land and wages, if the gain from these works was collective. Finally, a larger pool of surplus was needed for investment in rural industry, and this was possible only in a collective. Collectivisation was thus the only rational choice, dictated not by abstract theoretical constructs but by the contradictions in the existing situation.

On the other hand, if the other path—of “consolidating” the New Democratic stage, recommended by Liu Shauqi (Shao-ch’i)—were chosen, inequalities would emerge, threatening the very social base itself of the revolution (within a few years of liberation, many poor peasants, lacking draft animals and tools, had sold their land to rich peasants; others had sunk into debt). Even this process of capitalist consolidation of land would not proceed fast enough to allow mechanisation. Thus Mao’s insistence that cooperation could not wait for mechanisation, but had to *precede* it, flowed from both the need to consolidate socialism politically as well as the need to raise labour productivity.

It was this struggle that engaged Hinton’s attention in the following decades. During the Cultural Revolution, and till Mao’s death, Hinton supported Mao’s policies in such essays as *Turning Point in China*. However, many developments during the Cultural Revolution—the injustices committed to many persons, the emergence of opportunist elements who took advantage of the turmoil to advance their careers, and (what appeared to Hinton at the time as) the excesses and “commandism of the ‘left’”—shook him. In *Shenfan* (1983), written as the second volume of a trilogy about Long Bow, he drastically revised his estimate of Mao’s policies.

Shenfan proceeded at two levels: the developments on the national plane, and those at the level of Long Bow and its vicinity as well as in Dazhai. Hinton acknowledged the basic policy differences between Mao and Liu Shauqi, but now argued that, as far back as in the 1959 Lushan conference, these differences were overshadowed by a factional power struggle between Mao and Liu. The crucial question for Hinton was “whether or not it [the divergence of views between Mao and Liu] had a class nature. Were these the views of two antagonistic classes, or were they an honest difference of opinion about the best path toward socialism?... What is not so clear, at this point, is that Liu Shao-ch’i’s thesis, the call for the consolidation of the New Democratic system, was in fact a call for building capitalism.” In which case, Hinton concluded, the Cultural Revolution was not a struggle for working-class power, but

for Mao's personal, increasingly feudal-imperial, power.

Nevertheless *Shenfan* brought out, through a wealth of detail, the need for, and viability of, precisely the "socialist road" in agriculture advocated by Mao. It showed how, even while badly managed cooperatives fared poorly, creatively led ones such as Dazhai achieved miraculous transformations both in consciousness and productivity. Dazhai's yields, in the most unfavourable physical conditions, rivalled those of the American farm-state Iowa. All the tumult and setbacks of the Cultural Revolution could not shake Hinton from this core perception, for it was based on his *direct experience*, including his own labour at Long Bow, Dazhai and other places.

But by the time *Shenfan* went to press, Dazhai and its leader, Chen Yunguei, were themselves under attack, and the entire structure of cooperative agriculture was more or less dismantled and replaced with "family contracts", i.e. private use-rights.

It was with "Dazhai Revisited" (*Monthly Review*, March 1988; also see "A Response to Hugh Deane", *Monthly Review*, March 1989, both reprinted in *China: An Unfinished Battle*, Cornerstone Publications, 2002) that Hinton began a series of articles and talks through the late eighties and nineties defending the era of collective agriculture in China, and warning of the disastrous implications of the new policies. He began by examining the regime's propaganda against the collective-era Dazhai, and its claims regarding the growth under the new system. Here Hinton is at his best, intimately familiar with the economics of the cooperative. Having seen the Dazhai yields personally, he was in a position to deflate the charges that they were greatly exaggerated, and to take apart the claims of higher yields post-'reform' (inflated, for example, in the year 1984 by releasing stocks of collective grain). He pointed to the steep decline in capital construction or even maintenance of earlier construction, as well as the grave environmental damage being done in the new system, all of which would have a long-term effect on agriculture. Most of all, he warned that with the privatisation of land Chinese agriculture would revert to noodle-strip farming, condemned to low productivity.

Hinton cited a study by the Central Committee's Research Group on Agrarian Policy, on the basis of which the 'reforms' were carried out. This revealed that 30 per cent of the collectives (ie 240 million peasants) were prospering, while another 40 per cent faced serious problems but remained viable, and another 30 per cent were doing poorly; this matched his own observations. This showed that cooperative agriculture *could* succeed for vast numbers, and that what was required was attention to the leadership of the cooperatives that were faring poorly. In "Mao, Rural Development and the Two-Line Struggle" (*Monthly Review*, February 1994) Hinton showed how each phase, from land reform to mutual aid to cooperatives and communes, generated internal contradictions that could best be resolved by moving to a higher stage, by adopting a more complete and

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universal collective form. "Either that or abandon organized production altogether."

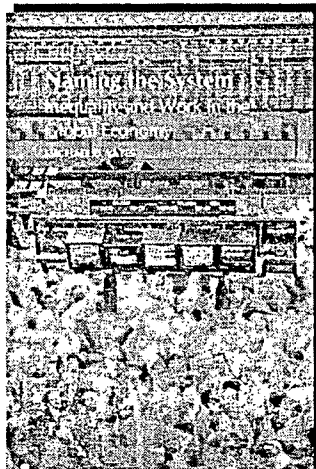
Now Hinton drastically revised his assessment of Mao once more, candidly conceding his earlier error. It was clear to him now that Liu's line was one of restoration of capitalism; that there were in fact two classes in contention throughout this period; that the upheaval was the inevitable outcome of their contention. "To blame Mao then for the struggle that ensued and for its outcome is unwarranted, unrealistic and unhistorical. Mao did what needed to be done given his social base, while Liu did what he had to do given his social base". Hinton now felt that the conception and principles of the Cultural Revolution were "a great creative departure in history", and Mao's greatest contribution to revolutionary theory and practice. (Talk at the Socialist Scholars Conference, New York, April 1999)

In this last battle of his life, Hinton rendered great service to all those for whom China was not an academic pursuit, but most relevant for revolutionary practice. At a time when many who had once celebrated the Cultural Revolution are producing tomes attacking the entire Chinese revolution since 1949, he defended it in simple, concrete terms, hard facts backed by a theoretical grasp.

Whether one concludes, with Hinton, that China is returning to a semi-feudal, semi-colonial condition or that it has turned to some form of capitalism, his warning about the changes in Chinese crop agriculture can hardly be refuted. According to official data, grain production grew at an annual rate of just 1.7 per cent during 1985-95, which fell to 0.03 per cent during 1996-2000; it appears to have fallen further since. Sideline activities have shown growth, but it is estimated that over 300 million are unemployed in the rural areas. And the surplus is drained off by the new rulers even as investment in agriculture shrinks. For the two-thirds of the population which resides in the rural areas, the actual ratio of per capita disposable income to that in urban areas is reportedly one to six, thanks partly to a host of illegal levies by local governments. "A Study of Mass Incidents", a book circulated internally by the Chinese police in 2002, warns that large-scale public disturbances are increasing annually, particularly in the countryside, one reason being the growing gap between rich and poor. As so many Chinese working people told Hinton in the 1980s, "After all, the old man was right!"

Hinton's passing is the second such loss this year. Like Paul Sweezy, Hinton was from a generation that had seen the Great Depression, the Spanish Civil War, and World War II; and had seen the hope that socialism brought to people of the world. Like Sweezy, even in the last years of his life Hinton radiated confidence, and inspired confidence in others, that the world's labouring people would overcome the historic reverses suffered by the great revolutions. Because for them, indeed for the future of humanity, socialism is an objective necessity.

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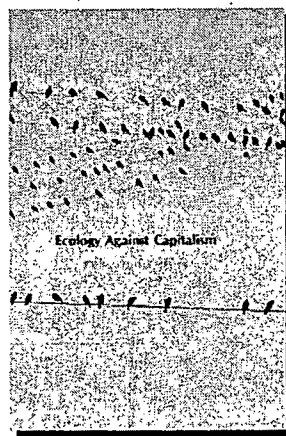
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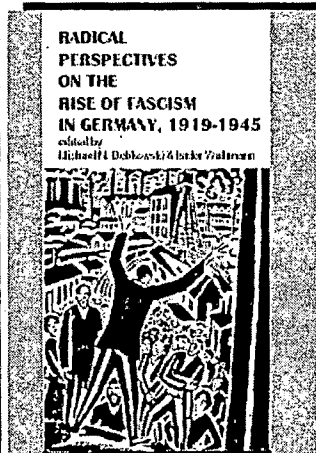
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Market Reforms and Class Struggle

by Martin Hart-Landsberg
and Paul Burkett

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VOL. 2 NO. 4&5

China and Socialism: Market Reforms and Class Struggle

MARTIN HART-LANDSBERG & PAUL BURKETT

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Editorial

We present here a short essay by Naba Raj Majhi, a Nepal student, addressed to the small 'English language speaking elite' of the Kathmandu valley. The author writes from a progressive Nepal nationalist viewpoint. Although we question some points made in the article, it represents an anti-imperialist tendency that we believe has an important role to play in the transition to a new democracy in Nepal. But first we summarize here the current situation in Nepal.

At this moment (the start of July), events in Nepal look to be at a turning point. Three political forces exist in the country: the armed revolutionaries, for all practical purposes the popularly recognized authority most everywhere save for the central valley of Nepal; the US and the palace, who control the armed police forces and Royal Nepali Army; and the parliamentary political parties, able to turn out their followers in the central valley but whose cadre in the countryside can safely be assumed to have either fled to the close vicinity of RNA barracks, have joined the united front of the popular forces, or are politically inactive.

Though the security forces still stage faked 'confrontations' to

(continued on inside back cover)

Foreword

HARRY MAGDOFF AND JOHN BELLAMY FOSTER

We depart this year from our usual practice for *MR*'s July-August double issue. Instead of a collection of articles on a common theme, we are devoting the issue to a single manuscript—a study of China and economic development theory by Martin Hart-Landsberg and Paul Burkett that will be published in book form by Monthly Review Press early next year. Although there are numerous books on China, this one is especially worthy. It is a careful, clear, well-grounded Marxist study of how a major post-revolutionary society turned away from socialism. In addition, the current transformation in China throws light on why capitalism, by its very nature, creates poverty, inequality, and ecological destruction in the process of economic growth.

Socialism cannot be created overnight. A long transition is needed to build its political, human, and economic foundations. If we are to learn from the past, we need critical and ruthless analyses of the post-revolutionary societies, their achievements as well as failures. It should be evident by now that a transfer in class power can make a real difference. That shows up during the early days of a move to a new social system: elimination of hunger, creation of full employment, the spread of literacy, universal education and medical care for all the people, and an escape from imperialist domination. These steps toward social justice are not easy. Moreover, booby traps may slow and divert further progressive and radical changes.

The transition to full-fledged socialism entails a long and bumpy road full of pitfalls and contradictions. Time is needed to: (a) convert existing productive forces into worker-controlled and peasant-controlled enterprises, (b) create new productive forces for the basic needs of the entire population, and (c) construct a legal-political-cultural superstructure adapted to a cooperative commonwealth. Shortcuts are few and far between. Nor can general recipes be designed that will suit every country and anticipate every twist and turn of history. Room must be provided for a process of trial and error, which means informing and involving the masses, including the power of the masses to recall administrators and correct errors. *

The socialist vision encompasses a nonhierarchical, egalitarian

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society—one which strives to improve the living standards and quality of life, with top priority given to the poorest, most discriminated against, and powerless. Thus, the dominant tendency in China during roughly the first 30 post-revolutionary years was to dedicate resources and effort to achieving equality and meeting the basic needs of the people, especially those of the downtrodden. By the end of the 1970s (covering roughly the first three decades after the revolutionists came to power), China had become a highly egalitarian society, arguably the most egalitarian on earth in terms of the distribution of income and in meeting basic needs. Since then, however, a striking turnaround has taken place—in fact as in theory. The heads of the party and the government encouraged a blossoming of private industry via domestic and foreign investment. A turn to so-called market socialism was proclaimed. The U-turn in the ruling ideology was dramatic. Market socialism, it was said, would lead to speedy growth of material production, a growth of riches that would inevitably trickle down to all social sectors.

China's new course has indeed resulted in an extremely rapid increase of production and total national income. However, the wealth created didn't trickle down very far. The result is a very rich upper stratum and a comfortable middle class, and as for the rest: poverty, insecurity, unemployment, and a decline in education and medical care. The effect of the turnaround is finally acknowledged in official circles. Last year the political department of China's Ministry of Finance issued a report on the subject. *People's Daily Online* (June 19, 2003) ran an article containing the substance of the document. The article began by acknowledging that the government report had revealed: (1) "A ceaseless widening of the gap in income distribution and the aggravated division of the rich and the poor is occurring"; and (2) "Amassed wealth is becoming more concentrated, with the difference of family fortunes becoming bigger and bigger."

What is clear from the Chinese experience is that the basis of the class struggle continues even after nationalization of business institutions. The mentality (ideology) of the old society does not evaporate into thin air after a revolutionary change. It remains and conflicts with the socialist road. Other strains arise from the potential and actual entrenchment of a bureaucratic elite, the persistence of hierarchy, and the complexity of building a people's democracy. The bureaucratic elite and other privileged groups sustain a competing ideology—one that justifies their privileges, which are at odds with the needs of the mass of the people. Members of the elite are commonly concerned with passing on their advantages to their children, typical of class society. The clash of class interests continues from generation to generation. In this way

the class struggle persists, though in different forms from the past. At heart, as Mao pointed out, even some in high Communist Party positions wanted to take the "capitalist road."

The ideological struggle that takes place is linked with differences over the rate and direction of growth. Unfortunately, growth in itself is the deity worshipped by "capitalist roaders," whereas the crucial questions are: What kind of growth? For what purpose? For whose benefit? Should the growth be geared to satisfying the desires of intellectuals, managers, business owners, and the bureaucratic political groups and classes? Or, should the direction of growth be oriented towards improving living standards and quality of life for the mass of the people?

We can't discuss these questions in this space as fully as they should be. But some aspects need to be mentioned. Growth may be badly needed: houses for the homeless, medical centers, three meals a day for everyone, sewage and running water in the slums and ghettos, and so on. However, too speedy growth may be harmful to people and the environment. These are basic questions that distinguish between capitalism and socialism. Under capitalism, driven by profit for the few, accumulation occurs on a world scale while the great majority of the world's masses are plunged into misery. And as shown by Hart-Landsberg and Burkett, the Chinese case is witness to the fact that growth with the purpose of increasing profits, or growth merely for the sake of growth, leads inevitably to stark social inequality.

The book-length essay that makes up this issue of *MR* is also significant in that it boldly confronts a fad in left-wing circles: a faith in "market socialism" as the proper and effective way to replace capitalism. Economic planning, it is claimed, has proven to be a failure: it just can't work. The issue is seen as a matter of technique—finding the right mechanism (plan or market), rather than a question of class or of meeting the most pressing human needs. Technocrats are supposed to have the answers—in this case a reliance on the magic of the market. But look at the Chinese success story! The theorists' enthusiasm for market socialism is small beer compared with the excitement that today's Chinese market has generated. Conventional pundits and corporate CEOs, who in their greed see only the fabulous riches being created and there for the taking, are blind to the real conditions of the people. CEOs are enthralled by the profit opportunities: on the one hand, an exceptionally large low-wage industrial reserve army, and on the other hand, untold millions of potential customers. Left and right revel in the exceptional, ongoing rates of economic growth. Nowhere is the enormous and continuing human cost of this distorted system

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of growth considered.

The issue can be approached in a simplified fashion. A national economy has two parts, consumption and investment. If more is spent on investment, less will be available for consumption. Economic growth depends on an increase in investment, aided by increases in labor productivity. But an increase in investment, especially when extremely rapid, will slow any increase in consumption by the masses. Although consumption as a whole may increase, consumption of the wealthy inevitably occurs at the expense of the poor when there are big differences in power and wealth. To the extent that a section of the population is able to spend much more than others, investment as well as production will concentrate on luxury goods and facilities for the wealthy. The Chinese government report referred to above (summarized in *People's Daily Online*) acknowledges that the gulf between the classes is increasing with the unusually fast growth: "A ceaseless widening of the gap in income distribution and the aggravated division of the rich and the poor is occurring."

The growing polarization in income and wealth and the slower increases (if any for the lower strata) in consumption among the masses are not the only negative consequences of ultra-fast growth. The shift to so-called market socialism followed the path dictated by capitalist globalization. According to the *Financial Times*, (May 4, 2004) "China [is set] to join the league of biggest direct investors abroad." Vice Premier Wu Yi, "in a written statement to the ongoing forum on 'going global' of Chinese enterprises [sponsored by the Ministry of Commerce] said this strategy will benefit not only China's development but also the prosperity of the whole world" (reported in the *People's Daily Online*, May 26, 2004). Moreover, the same source reports that China is promoting its transnationals: "China will further promote the 'going global' strategy and nurture more transnational companies, senior officials said." Government authorized foreign investment by Chinese firms was over \$2 billion in 2003 and is expected to grow rapidly.

Another consequence of worshipping at the idol of rapid growth is the resulting ecological havoc. As the deputy director of China's State Environmental Administration, Pan Yue, has put it, "If we continue on this path of traditional industrial civilisation, then there is no chance that we will have sustainable development...[b]ecause China's populace, resources, environment has already reached the limits of its capacity to cope" (*New York Times*, May 24, 2004). The dammed Yangtze River has become a cesspool of sewage, poisoned because of nonexistent or inadequate treatment of industrial and human wastes. And according to Elizabeth Economy,

senior fellow and director for Asia studies at the Council on Foreign Relations,

There has been a dramatic increase in the demand for natural resources of all kinds, including water, land, and energy. Forest resources have been depleted, triggering a range of devastating secondary impacts, such as desertification, flooding, and species loss. At the same time, levels of water and air pollution have skyrocketed....More than 75% of the water in rivers flowing through China's urban areas is unsuitable for drinking or fishing. Sixty million people have difficulty getting access to water, and almost three times that number drink contaminated water daily. Desertification, which affects one-quarter of China's land, is forcing tens of thousands of people to migrate every year....(www.fas.harvard.edu/~asiactr/haq/200301/0301a001.htm)

China has seven of the ten cities with the most air pollution in the world, and has 300 cities that fail to meet acceptable levels for total suspended particulates as defined by the World Health Organization.

To summarize our argument—once a post-revolutionary country starts down the path of capitalist development, especially when trying to attain very rapid growth—one step leads to another until all the harmful and destructive characteristics of the capitalist system finally reemerge. Rather than promising a new world of “market socialism,” what distinguishes China today is the speed with which it has erased past egalitarian achievements and created gross inequalities and human and ecological destruction. In our view, the present essay by Martin Hart-Landsberg and Paul Burkett deserves careful study as a work that strips away the myth that Chinese socialism survives in the midst of some of the most unrestrained capitalist practices. There is no market road to socialism if that means setting aside the most pressing human needs and the promise of human equality.

Preface

The Chinese economic experience remains the source of important lessons about the challenges of building socialism. However, the current lessons are mostly negative. Tragically, the Chinese government's program of "market reforms," which was allegedly supposed to reinvigorate socialism, has instead led the country down a slippery slope toward an increasingly capitalist, foreign-dominated development path. The resulting domestic and international social costs have been enormous. Compounding the tragedy is the fact that many progressives, including many who continue to support socialism, remain defenders of Chinese economic policies and encourage those in other countries to adopt similar policies.

We believe that this situation reflects a profound popular confusion about capitalist dynamics and socialism that must be overcome if we are to make meaningful progress toward building a better world. We sincerely hope that this study of China's "market socialist" experience will make a small but meaningful contribution to that outcome:

Many people contributed to our understanding of the Chinese experience, including its ideological and economic significance in the world today. In particular we would like to acknowledge Mike Lebowitz, Barbara Foley, Leo Panitch, Sam Ginden, Patrick Bond, Minqi Li, Andong Zhu, David Kotz, Victor Wallis, Susan Williams, Stephen Frost, and Tim Pringle. We would also like to thank the editors of the *Korean Journal of Political Economy* for publishing an article by us that contained an earlier version of some of the book's ideas; Aimin Chen for providing access to her copies of the *China Statistical Yearbook*; Andrew Nash and the entire Monthly Review Press staff for their help and encouragement; and our families for their ongoing support—Sylvia Hart-Landsberg, Leah Hart-Landsberg, and Rose Hart-Landsberg, and Suzanne Carter along with Patrick Burkett and Molly Burkett. Finally, we wish to acknowledge our debt to the working people of China, not only for their past efforts at social change, but also for their ongoing struggles against "socialist capitalism" and for a real socialism.

Introduction: China and Socialism

China and socialism...during the three decades following the 1949 establishment of the People's Republic of China (PRC), it seemed as if these words would forever be joined in an inspiring unity. China had been forced to suffer the humiliation of defeat in the 1840-42 Opium War with Great Britain and the ever-expanding treaty port system that followed it. The Chinese people suffered under not only despotic rule by their emperor and then a series of warlords, but also under the crushing weight of imperialism, which divided the country into foreign-controlled spheres of influence. Gradually, beginning in the 1920s, the Chinese Communist Party led by Mao Zedong organized growing popular resistance to the foreign domination and exploitation of the country and the dictatorship of Chiang Kai-shek. The triumph of the revolution under the leadership of the Chinese Communist Party finally came in 1949, when the party proclaimed it would bring not only an end to the suffering of the people but a new democratic future based on the construction of socialism.

There can be no doubt that the Chinese revolution was a world historic event and that tremendous achievements were made under the banner of socialism in the decades that followed. However, it is our opinion that this reality should not blind us to three important facts: first, at the time of Mao's death in 1976, the Chinese people remained far from achieving the promises of socialism. Second, beginning in 1978 the Chinese Communist Party embarked on a market-based reform process that, while allegedly designed to reinvigorate the effort to build socialism, has actually led in the opposite direction and at great cost to the Chinese people. And finally, progressives throughout the world continue to identify with and take inspiration from developments in China, seeing the country's rapid export-led growth as either confirmation of the virtues of market socialism or proof that, regardless of labels, active state direction of the economy can produce successful development within a capitalist world system.

As much as we were also inspired by the Chinese revolution, we have for some time believed that this continuing identification by progressives with China and its "socialist market economy" represents not only a serious misreading of the Chinese reform experience but, even more important, a major impediment to the

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development of the theoretical and practical understandings required to actually advance socialism in China and elsewhere.

As we will argue in this book, it is our position that China's market reforms have led not to socialist renewal but rather to full-fledged capitalist restoration, including growing foreign economic domination. Significantly, this outcome was driven by more than simple greed and class interest. Once the path of pro-market reforms was embarked upon, each subsequent step in the reform process was largely driven by tensions and contradictions generated by the reforms themselves. The weakening of central planning led to ever more reliance on market and profit incentives, which in turn encouraged the privileging of private enterprises over state enterprises and, increasingly, of foreign enterprises and markets over domestic ones. Although a correct understanding of the dynamics of China's reform process supports the Marxist position that market socialism is an unstable formation, this important insight has largely been lost because of the continuing widespread belief by many progressives that China remains in some sense a socialist country. This situation cannot help but generate confusion about the meaning of socialism while strengthening the ideological position of those who oppose it.

Many other progressive scholars and activists dismiss arguments about the meaning of socialism as irrelevant to the challenges of development faced by people throughout the world. They look at China's record of rapid and sustained export-led growth and conclude that China is a development model, with a growth strategy that can and should be emulated by other countries. We believe, and argue in this book, that this celebration of China is a serious mistake, one that reflects a misunderstanding not only of the Chinese experience but also of the dynamics and contradictions of capitalism as an international system. In fact, an examination of the effects of China's economic transformation on the region's other economies makes clear that the country's growth is intensifying competitive pressures and crisis tendencies to the detriment of workers throughout the region, including in China.

Our differences with leftists and progressives might never have produced a book about China if it were not for our May 2003 trip to Cuba to attend an international conference on Marxism.¹ While in the country we sought to learn what we could about how Cuba was responding to its economic difficulties, and how the government's understanding of and commitment to socialism was shaping that response. We were told repeatedly that many Cuban economists looked to the Chinese "market socialist" growth strategy as an attractive model for Cuba.

We hoped that this was not true. But at the conference itself, when the discussion turned toward the challenges facing Cuba, several Cuban economists publicly endorsed the Chinese experience of rapid export-led growth based on foreign direct investment (FDI) as offering the only hope for Cuba to sustain its socialist project under current international conditions. Although these economists were only repeating arguments we had heard from progressives in other countries, they were especially jarring to hear at a conference concerned with the contemporary relevance of Marxism and in a context where there was little gain to be imagined for the economists making them. Fidel Castro was also at the conference and the Cuban government had already firmly rejected market socialism.

We are certainly not the first social scientists to criticize developments in China from a Marxist perspective.² But it seems clear to us that the importance of China in shaping debates about development and socialism has only grown. And we feel that the confusion surrounding China's post-reform experiences signifies a deeper theoretical and political confusion about Marxism and socialism that greatly hurts our collective efforts to build a world free from alienation, oppression, and exploitation. Thus, we have ventured to offer our own contribution to the study of China and socialism, focusing our critique on the economic dynamics, social consequences, and political implications of China's market reform process. Despite the fact that our work focuses on China, we hope and intend that the issues raised and considered will also have significance for people concerned with social developments and struggles in countries other than China.

Our book begins, in chapter 1, with a discussion of the rise of China as a positive reference point for development economists, with explanatory emphasis on the collapse of the Soviet Union and its satellite economies, the 1997-98 Asian crisis, and the tendency of both mainstream and left economists to formulate and rationalize their national policy visions by appealing to the apparently successful development experiences of individual "poster countries" rather than to the uneven development of accumulation and class conflict on a world scale.

In chapter 2, we critically examine the basic dynamics of China's market socialist reform process, showing how each step in China's transition—from planning to market, from domestic-to export-oriented production, and from state to private and increasingly foreign control—moved the system further away from any meaningful progress toward socialism in the sense of a system centered on grassroots worker-community needs and capabilities. This

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examination also makes clear that each step was a logical outcome not of any objective requirements for further development of human, natural, and social productive forces, but of the contradictions generated by previous reforms. We further show that the rapid economic growth that accompanied the reforms was largely due to factors other than efficiency gains from marketization and privatization. The arguments in this chapter undercut the widespread image of wise Chinese policymakers carefully and deliberately engineering a relatively stable, low-cost transition to a more productive market-driven regime.

In chapter 3, we focus on the main domestic contradictions of China's reform process. We show that the considerable costs of the pro-market transition (rising unemployment, economic insecurity, inequality, intensified exploitation, declining health and education conditions, exploding government debt, and unstable prices) are not transitional side effects but rather basic preconditions of economic growth *cum* rapid capital accumulation under Chinese conditions. We also highlight the growing (though somewhat fragmented) struggles of Chinese workers to defend the rights purportedly guaranteed to them by the pre-reform regime, and to protect themselves from some of the worst forms of exploitation under the new system in the face of ongoing government repression of all independent worker and community organizing.

In chapter 4, we argue that China's economic experience cannot be fully understood in isolation from the broader dynamics of global capitalism, especially uneven development and overproduction. In exploring these dynamics we highlight how China's economic transformation has benefited from as well as intensified the contradictions of capitalist development in other countries, especially East Asia. This perspective makes clear that China's foreign investment driven, export-led growth cannot be treated as simply a positive sum experience replicable by other nations.

We conclude by first summarizing the main lessons of our work, highlighting the continuing relevance of Marxist theory and the importance of building movements for change based on principles of international solidarity and through engagement with worker-community struggles against capitalist imperatives. Then we outline an alternative, worker-community centered approach to socialist development that treats exports and foreign investment as vehicles of grassroots needs and capabilities and of international solidarity.

Notes

1. The "Conference on the Work of Karl Marx and Challenges for the 21st Century" was held in Havana, Cuba, May 5-8, 2003. Papers can

- be found at www.nodo50.org/cubasigloXXI.
2. See, for example, William Hinton, *The Great Reversal: The Privatization of China, 1978-1989* (New York: Monthly Review Press, 1990); Maurice Meisner, *The Deng Xiaoping Era: An Inquiry into the Fate of Chinese Socialism, 1978-1994* (New York: Hill and Wang, 1996); Robert Weil, *Red Cat, White Cat: China and the Contradictions of "Market Socialism"* (New York: Monthly Review Press, 1996); Gerard Greenfield and Apo Leong, "China's Communist Capitalism: The Real World of Market Socialism," in Leo Panitch (ed.), *Socialist Register 1997: Ruthless Criticism of All That Exists* (New York: Monthly Review Press, 1997); Barbara Foley, "From Situational Dialectics to Pseudo-Dialectics: Mao, Jiang, and Capitalist Transition," *Cultural Logic* (2002), <http://eserver.org/clogic/2002>; Liu Yufan, "A Preliminary Report on China's Capitalist Restoration," *Links*, No. 21 (May-August 2002); Richard Smith "Creative Destruction: Capitalist Development and China's Environment," *New Left Review* 222 (March-April 1997); Eva Cheng, "China: Is Capitalist Restoration Inevitable?," *Links* 11 (January-April 1999).

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1. China's Rise to Model Status

China's post-reform rapid economic rise has led many progressives to view the country as a development model whose experience proves that there are viable alternative paths to growth within the existing capitalist world system. Significantly, although not widely acknowledged by most of these progressives, many mainstream economists have also embraced China as a development model.

The basic facts that have anchored this celebration of the Chinese growth experience are well known. These are the country's high-speed economic expansion, fast-rising exports, and growing inflows of FDI. Tables 1 and 2 provide some indicators of these trends.* According to the official data, China not only enjoyed double-digit real GDP growth for most of the decade 1985-95, but also maintained rapid growth of over 7 percent per year during and after the 1997-98 East Asian crisis. That exports played a major role in this expansion is clear from their high growth rates and their increasing ratio to GDP. United Nation Conference on Trade and Development (UNCTAD) figures show that as of 2000, China had the fourth-largest share of world exports, 6.1 percent, trailing only the United States, Germany, and Japan. Its increase in export share over the period 1985-2000 was the greatest of any country, more than twice that of the second-place United States.¹

Annual net FDI inflows into China also exploded in value, growing from only US\$1 billion in 1985 to over US\$50 billion by 2002, with FDI accounting for a significant share of the country's capital investment during this period. "Even in 2001 and 2002, when global flows of foreign direct investment fell by about a half and a third, respectively, inflows into China continued to expand"; so much so that in the latter year China became "the world's number-one destination for foreign direct investment."²

However, these are just facts. They do not explain why they have become the basis for a shared celebration of China as the model developing country by development economists across the political spectrum. While the rest of this book is dedicated to a critique of this view of the Chinese experience, it is important that we first explore the changing global-historical context that produced it. Doing so helps to clarify some of the theoretical and political

* See appendix for all tables referred to in text.

confusions as well as challenges that must be overcome if we are to advance the socialist project.

China as a Neoliberal Model

The post-1989 breakup of the Soviet Union, and adoption of neoliberal policies by the ex-Soviet republics and former Soviet-satellite countries of Eastern Europe, at first created an unabashedly triumphant atmosphere in neoliberal circles. The rapid moves by erstwhile "socialist" governments to end planning, privatize state enterprises, and open up markets to imports and foreign investment, all with advice and support from the International Monetary Fund (IMF) and World Bank, seemed to validate neoliberal "end of history" thinking. Tragically, these "shock therapy" policies led to major economic collapses (especially in Russia) with devastating consequences for East European working people that continue to this day. These setbacks had two effects on mainstream development thinking.

First, they instigated a debate over the proper pace and sequencing, and institutional requirements, of neoliberal reforms.³ While conservative neoliberals like Jeffrey Sachs tended to blame the disastrous results of shock therapy on government corruption and lack of credible commitment to reforms, left-wing neoliberals like Joseph Stiglitz questioned the wisdom of immediate wholesale liberalization and privatization. The latter group recommended more deliberate reform programs in which macroeconomic stability and confidence would take precedence over the abrupt freeing of trade and short-term capital flows.

However, despite these differences, both groups of neoliberals remained committed to the ultimate goals of a competitive market economy, free trade, and free capital movements. Accordingly, both saw export competitiveness and attraction of FDI as key components of successful development. In this sense, mainstream development debates in the wake of the shock therapy disasters actually clarified the core elements of the neoliberal consensus.

Second, given the continued dominance of the notion that "there is no alternative" (TINA) to neoliberal capitalism, the post-Soviet collapses encouraged the search for new neoliberal success stories that could be held up as examples for other countries to follow. The opportunism underlying this strategy was evident from past attempts to use South Korea as a free-market poster country even though it had clearly not followed free-market policies (gradual or otherwise) toward either trade or FDI. The problem was that there were no other obvious capitalist development successes available.⁴ Hence, when, by the early 1990s, it became clear that Thailand,

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Malaysia, and Indonesia were experiencing rapid economic growth driven largely by FDI and manufactured exports, South Korea was quickly dropped as model country in favor of these emerging export platforms for transnational capital. Then came the East Asian crisis, which necessitated yet another search for new poster countries. That this search led to China reflects both the tactical disagreements and the fundamental consensus between conservative and left-wing neoliberals.⁵

The response by conservative neoliberals to the East Asian debt crisis was crassly opportunistic. They dismissed the crisis-affected countries—which literally weeks or even days before had been praised as free-market success stories—as hopelessly corrupt “crony capitalist” regimes in desperate need of wholesale free-market restructuring. The IMF and the crisis-affected governments followed this advice, implementing currency devaluations, monetary fiscal retrenchments, and disruptive privatization schemes in debt-ridden economies already in recession. They backed off somewhat only when it became clear that a replication of the post-Soviet shock therapy disaster was in progress (and that most plum East Asian enterprises had already been plucked by foreign investors).

Meanwhile, in order to defend the benefits of their policies, conservative neoliberals shifted their attention to Mexico, a country that in the early 1990s they had counseled to learn from East Asia, and whose earlier failures with neoliberal reforms had been blamed on corruption and cronyism. Still, Mexico sustained positive economic growth during the 1996–2000 period. Even more important, it did so while restructuring its economy as a manufactured export platform by liberalizing FDI and trade, suppressing workers’ wage demands, and privatizing state-owned industrial enterprises and banks. Thus, Mexico became the new model country and was now favorably compared to East Asia.

Its newly acquired fame proved short-lived. Mexico fell into recession in 2001, in large measure because its neoliberal policies had greatly increased its dependence on exports to a U.S. economy that was now in recession. However, even when the United States experienced a weak recovery, Mexico continued to stagnate as more and more foreign export producers began shifting production to China where wages were considerably lower.⁶ Conservative neoliberals responded first by scolding Mexico for its corruption and inadequate dedication to cost efficiency and free-market reforms. Then, they began citing China’s spectacular economic record as proof of the power of neoliberalism, especially of “an unwavering commitment to reform.”⁷ If China succeeded where Mexico failed, said the World Bank, this was because the former

more effectively “transformed itself from a hostile investment environment” by more decisively “embrac[ing] globalization in the areas of trade and foreign direct investment.”⁸

Left-wing neoliberals had a different response to the East Asian crisis: they blamed it on the premature deregulation of domestic finance and (especially) short-term cross-border capital flows. Joseph Stiglitz and others also criticized the tight macro-policies (especially high interest rates), exchange-rate devaluations, and crash privatization and deregulation measures implemented by the IMF and East Asian governments. They argued that they would only deepen the region’s recession, destabilize national and regional financial systems, and further weaken business confidence.

The left-wing neoliberals were right to criticize these policy responses, even though their analysis of the causes of the crisis itself was quite shallow—ignoring such crucial factors as intensified competition for FDI, the import intensity of FDI-based export production, regional and global overproduction, and endogeneity of capital-market liberalization with respect to these and other contradictions of export-led growth.⁹ But, for present purposes, the important point about the left-wing neoliberal analysis of the crisis is that it also led to a favorable depiction of China, one that did not fundamentally deviate from the core tenet of neoliberalism, namely that “the spread of global capitalism has enormous potential to benefit the poor.”¹⁰

Stiglitz thus pointed to China’s regime of capital controls and its expansionary macro-policies to explain the country’s insulation from the worst effects of the East Asian crisis.¹¹ Building on this comparison, he painted a broader picture of China “as an example of a country that has successfully integrated into the global marketplace—but in a manner that defies the conventional wisdom of the Washington Consensus.”¹² According to this analysis, “China has adopted privatization and lowered trade barriers,...but in a gradual manner that has prevented the social fabric from being torn apart in the process. With little advice from the IMF, it has achieved high growth rates while reducing poverty.”¹³ Unlike the Russian experience with shock therapy, says Stiglitz,

China put creating competition, new enterprises and jobs, before privatization and restructuring existing enterprises. While China recognized the importance of macrostabilization, it never confused ends with means, and it never took fighting inflation to an extreme. It recognized that if it was to maintain social stability, it had to avoid massive unemployment. Job creation had to go in tandem with restructuring. When China liberalized, it did so gradually and in ways that ensured that resources that were

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displaced were redeployed to more efficient uses, not left in fruitless unemployment.¹⁴

Indeed, "speaking in Beijing in July 1998," Stiglitz "called China 'by far the most successful of the low-income countries' in moving to a market economy."¹⁵

This depiction of a smooth and low-cost marketization of the Chinese economy is a one-sided idealization. Nonetheless, it allowed Stiglitz and other left-wing neoliberals to stake out an autonomous short- and medium-term policy stance while still pledging allegiance to markets, free trade, and FDI—in short, insertion into the global-capitalist division of labor—as the only viable path to economic development. Nicholas Lardy provides a useful summary of this common neoliberal core as applied to China:

China's growth prospects...remain strong. In large part, this is because of the cumulative effect of more than two decades of economic reform. Most importantly, the process of gradual price liberalization has proceeded so far that markets now set the prices of almost all commodities. Equally important, reforms have dramatically increased competition, not just in manufacturing but in construction and much of the service sector as well. The pervasiveness of market-determined prices and competitive markets has improved the efficiency of resource allocation....The role of the external sector in increasing competition in the domestic market is especially important, and all too frequently underestimated.¹⁶

Such is the image of China as, for the moment at least, the leading neoliberal poster country.

China as a Progressive Model

The dismantling of the purportedly socialist economies of the Soviet Union and Eastern Europe put many leftists on the defensive. Naturally, left economists became interested in China, though for reasons that, on the surface at least, were diametrically opposed to neoliberalism. Quite different from the rapid ideological and structural transformations accompanying Russian-type "shock therapy," China's government continued to proclaim its commitment to building socialism. Moreover, its more gradualist reform policies were producing rapid and sustained economic growth.

The decentralizing and market-oriented nature of China's economic reforms enhanced the country's attractiveness to many on the left, especially academics. Mainstream economists had long argued that central planning and state ownership were inefficient, and the rejection of socialism and embrace of capitalism by East European governments seemed to verify the correctness of this

position. To many leftists, China's reform program at first seemed to offer a "third way" between capitalism and centralized state-socialism. While maintaining a core role for state enterprises, it reduced central planning of the economy, enhanced the authority of local governments, created new forms of enterprise organization (including small private as well as collective township and village enterprises), and promoted profit- and productivity-based worker-compensation incentives as well as market relations to stimulate the efficiency of all enterprises, including those in the still dominant state sector. These "market socialist" policies appeared immune to the standard critique of central planning, and they were easier to defend using the discourse of mainstream market analysis in an increasingly neoliberal-dominated academic world.

By the early 1990s, a number of progressive and left academics were writing articles that, while cautious about the future, demonstrated a strong belief in the viability and even superiority of market socialism based in large part on China's strong economic performance. M. J. Gordon, for example, argued that

China's experience since 1978 has demonstrated that policies that may be characterized as "market socialism" provide a viable and successful alternative....While these reforms may not be a model that should simply be duplicated elsewhere, they reveal that a middle way is feasible.¹⁷

Similarly, Victor Lippit used China's experience to question the notion that "the Cold War is over and capitalism appears to have won completely":

China's economic success forces us to consider more carefully the popular thesis that consigns socialism to history. Public policy in China is directed toward establishing a system of market socialism, one in which state-owned enterprises coexist with collectively and privately owned ones. If such a mix of modes of production can be maintained, and if popular/democratic control over the economic and political life of the nation can be established, it is quite possible that the present will prove to be a period of socialist transition. If, to the contrary, the capitalist enterprises overwhelm their state and collective counterparts, then capitalist transition will be the order of the day. The point is that the issue remains to be decided, and since the possibilities for socialist development remain, consideration of the Chinese case provides a new perspective for thinking about the alleged victory of capitalism.¹⁸

In sum, China's apparent success with market-socialist reforms not only gave many leftists renewed hope that neoliberal, globalized capitalism was not really the end of history; it also served as a positive reference point for reinterpreting the struggle between

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capitalism and socialism on a world scale.¹⁹

China's analytical and ideological resonance was not purely academic. Interest in the Chinese model was also strong in the few remaining state-socialist countries, especially Vietnam and Cuba. After all, with the collapse of the Soviet system, Cuba itself suffered a serious economic shock. It desperately needed a new strategy, one that could generate foreign exchange to make up for its loss of markets and foreign aid.

Cuban economists as well as the Cuban government were naturally impressed by China's sustained economic growth, and even more so by its increasingly successful efforts to attract FDI and generate manufactured exports. An initial period of study was followed in 1995 by a trip to China and Vietnam by Fidel Castro, and a draft proposal for restructuring Cuba's economic strategy that was strongly influenced by the Chinese experience.²⁰ Although the Cuban government subsequently announced that it would not pursue the socialist market strategies followed by China and Vietnam, Cuban economists have continued to admire China's successful "incorporation into global networks" of manufacturing production and trade, an incorporation that one Cuban economist has deemed "essential for development today."²¹

Indeed, many Cuban economists are still calling for a system of government actions to help Cuba attract more complex manufacturing processes tied to global production networks as a supplement to tourism and other current sources of foreign exchange.²² Despite protestations to the contrary, this is clearly an argument for Cuba to adopt an export-oriented, foreign-driven growth strategy, which would require the enhanced use of market forces, the creation of a mixed economy, and decentralization of state enterprises—all of which appear to be strongly influenced by the Chinese model.

The reticence of the Cuban government to officially acknowledge China as a model is certainly understandable, given that China's reform process has worked to strengthen market forces and capitalist social relations at the expense of socialism.²³ More broadly, the number of leftists who viewed China as progressing on the road to socialism also declined over the decade of the 1990s as the outcome of the reforms became clearer. But this trend has not seriously challenged the position of the broader progressive community, which continues to see China as a positive model for development policy.

The resiliency of China-as-model thinking in the face of the country's evident capitalist restoration was made possible by the combination of China's export and growth successes with several

historical-intellectual tendencies on the left. Among those still openly socialist in orientation, the recognition that China was moving away from socialism rarely generated an analysis of the significance of China's transformation for the uneven development and supersession of capitalism on a world scale, in the tradition, say, of classical Marxist analyses of the earlier rise of new national and regional centers of capitalist dynamism.²⁴

Such large-scale, structural, and strategic-historical narratives were out of fashion in the "end of history" atmosphere that developed after 1989, especially with the rise of postmodernist thinking associated with the ongoing academicization of Western Marxism. It therefore appeared to many socialists that the best that could be hoped for in development theory and policy was a defensive struggle against neoliberalism and for political democracy rather than a frontal assault on capitalism. While this perspective did not always translate into full support for the Chinese model, it did tend to limit both systematic criticism of China's development strategy and the envisioning of non-capitalist alternatives.

Meanwhile, many other progressives had become thoroughly disillusioned with and estranged from official socialism and Marxism (both before and after the Soviet collapse). This group quite consciously had looked to East Asia to find models of socioeconomic organization that would help them oppose and build alternatives to neoliberalism. In the 1980s and early 1990s, Japan was the most popular model, with progressives pointing to its strong interventionist state, allegedly harmonious workplace relations, full employment, relative income equality, and superior export performance as evidence that its system was more worker-friendly and more efficient than neoliberal, U.S.-style capitalism. In this "progressive competitiveness" view, the Japanese experience showed that a socially oriented state and corporate system of capitalism could and should be pursued for both humane and economic reasons.²⁵

By the mid-1990s, however, the Japanese economy was clearly in long-run stagnation. Advocates of progressive competitiveness gradually shifted their attention to South Korea and occasionally some of the new Southeast Asian export platforms, especially Thailand and Malaysia. Then came the crisis of 1997-98, and these countries floundered. Perhaps even more damaging to the progressive position was that the governments of these countries responded to their respective national crises by largely embracing the neoliberal explanation of the crisis and adopting neoliberal policies.

Forced to search for alternative models, and lacking both the

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(Marxist) analytical tools and the (class) politics needed to envision them from the standpoint of worker-community struggles in and against the uneven development of global capitalism, many progressives were naturally drawn to China. China was increasingly following a growth model similar to that followed by the former East Asian success stories but, in sharp contrast to those countries, had resisted abrupt liberalization and therefore weathered the regional crisis with minimal disruption.

In fact, the arguments progressives made to justify their admiration for the Chinese system were quite similar to those made by left-wing neoliberals, and this explains the growing popularity of Joseph Stiglitz's writings on the left. Like Stiglitz, progressives credited China's ongoing economic successes to its more controlled and limited liberalization of trade and finance. And like Stiglitz, they applauded China's reliance on FDI rather than unstable short-term capital inflows (which the Chinese government continued to tightly regulate). They both also agreed that China's resistance to currency devaluation was a critical policy decision that kept the East Asian crisis from being far worse than it was.

In this way, progressives tried to use left-wing neoliberal analysis to reassert some of their earlier progressive competitiveness arguments against neoliberalism. China was growing fast and had maintained at least a verbal commitment to a socialized (state and collective) sector and planning. Yet, it had also decentralized and increased market forces, even becoming one of the world's foremost exporters and attractors of productive FDI.

An array of progressive-left forces thus found themselves endorsing the Chinese experience, little troubled by whether it was socialist or not. Some scholars even extended their admiration of China's ongoing economic dynamism to expatriate Chinese business networks operating throughout the entire "Greater China" region.²⁶ In any event, the significance of China's revolutionary legacy was mostly reduced to its role in creating a strong state and other conditions for the country's current economic dynamism and competitiveness, as opposed to its potential for empowering working people and communities. Past achievements in the areas of wealth and income distribution and mass living standards were mentioned mainly to loosely connect them with China's successful insertion into the global capitalist economy. Walden Bello, for example, wrote that China's

economic dynamism can't be separated from an event that most of us in the South missed out on: a social revolution in the late forties and early fifties that eliminated the worst inequalities in the distribution of land and income, and prepared the country for

economic take-off when market reforms were introduced in the agricultural sector in the late 1970s....China likewise underlines the critical contribution to future economic development of a liberation movement that decisively wrests control of the national economy from foreign interests. China is a strong state, born in revolution and steeled in several decades of wars hot and cold....The difference is underlined by China's relationship with foreign capital compared with most countries in the South. Beijing is tough on foreign investors and has the upper hand in its relationship with the international business community. Yet foreign investors are scrambling to get into China, restrictions and all....Respect is what the Chinese government gets from investors. Respect is what our governments don't have. When it comes to pursuing national economic interests, what separates China from many of our countries is a successful revolutionary nationalist struggle that got institutionalized into a no-nonsense state.²⁷

In this fashion, progressive competitiveness thinking converts socialism and revolution from instruments of human development and liberation into preconditions for capitalist development and competitiveness. Often overlooked by those who embrace this perspective is the fact that foreign investors' respect for the Chinese government, and their willingness to put up with "restrictive" terms on FDI, are largely due to the willingness of the Chinese government to deliver large supplies of cheap and productive labor power. Said differently, the facile linkage of China's post-revolutionary achievements to its current capitalist successes diverts attention from the main precondition of the latter: an increasingly insecure labor force whose efforts at self-organization are constantly suppressed by one of the world's most authoritarian states.

The Confusion Over China

The embrace of China by both progressives and neoliberals demonstrates the analytical and ideological confusion that exists in the post-Cold War era. Unfortunately, the process of lurching from one poster ^{57E}country to another in response to capitalism's contradictions tends to be much more harmful to the left than to mainstream analysts and policy makers. The most general reason is that neoliberal political forces operate from a position of power and can dominate the interpretation of events and thus ideological conflicts.

A more specific reason is that the sequential search for national models tends to encourage the presumption that one can build progressive policy programs based on the capitalist growth experiences of individual nations. The problem—as Marx, Lenin, and Trotsky recognized—is that national success stories cannot be

understood in isolation from the broader dynamics and contradictions of capitalism on regional and global levels. Given capitalism's uneven development and crises, national model-type thinking quickly leads to an endless pursuit of one success story after another, each more problematic than the last. The end result is that we lose any sense of alternative vision, theoretical clarity, and grassroots political resonance.

The foregoing sketch of China's rise to model status has focused on broad tendencies within neoliberalism and the progressive community. In reality, of course, there is not a complete consensus on China on either the left or the right. Here again, however, the presence of unqualified disagreements tends to be more crippling for progressives than for neoliberals.

Although neoliberals often disagree on the exact amount of progress a country has made along the path of free-market reforms (for some, no amount of deregulation and privatization is ever sufficient), their disagreements give neoliberalism a significant amount of wiggle room should its current poster country or countries suffer unexpected crises. Despite China's current model status, it is not hard to find neoliberal warnings about possible future setbacks if the reform process is not completed and corruption not weeded out. In the meantime, neoliberals use China's reform experience to criticize Cuba for not more fully marketizing its economy.²⁸ If things go bad in China another free-market success story can always be found to favorably contrast with Cuba and other "backward" nations.

For those interested in radical change toward a worker-community-centered economy, however, analytical disagreements are likely to involve different perceptions of collective values, vision, and strategy, i.e., matters that are not simply reversible without great political costs. After all, for progressives, movement building anchored by clear and consistent values, vision, and strategy is a necessity, whereas quite the opposite is true for defenders of the status quo. For the defenders, mass political demobilization is a positive value and the confusion generated by the rapid replacement of one model of success with another only encourages that demobilization.

In sum, not only do we disagree with those progressives who view China as a development model (whether socialist or not), we think the process by which they arrived at this position highlights an even more serious problem: the progressive community's general rejection of Marxism, which is—we believe—the most effective framework for understanding capitalism as well as building movements capable of superseding it. Thus, this engagement with

China represents far more than an academic debate over the experiences of one country; it is about developing the theoretical clarity and strategic perspective necessary to help us transform the world.

Notes

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2. China's Economic Transformation

When the leaders of China's Communist Party announced their program of market socialist reforms in 1978, they argued that it was necessary to overcome the country's growing problems of economic stagnation and waste caused by the Mao era's overly centralized state systems of planning and production. China's rapid growth and industrial transformation during the 1980s encouraged many on the left, both inside and outside of China, to view market socialism as an attractive vehicle for achieving sustained growth, an egalitarian distribution of goods and services, and new forms of democratic participation in economic decision making.

However, despite the hopes of many on the left, it is our argument that China's market reform process has led the country not toward a new form of socialism, but rather an increasingly hierarchical and brutal form of capitalism. In this chapter we seek to answer the question of how and why, in less than two decades, a reform process that was seen as capable of promoting socialist renewal could end up leading to capitalist restoration.

The easy answer to this question is that the process was hijacked by party elites who feared losing their privileges. Faced with popular demands for change, they sought a reform process that would enable them to achieve a more secure form of control over the wealth of the country, and that led them, through trial and error, to embrace capitalism with "Chinese characteristics."

While there can be little doubt that the party elite has indeed profited from the ongoing process of capitalist restoration, we believe that this outcome was driven by more than simple greed. As we argue below, the capitalist restoration in China was also the result of structural contradictions generated by the reform process itself. While every country's experience is shaped by specific historical factors, and thus unique, we believe that this understanding of the Chinese experience offers important lessons for socialists everywhere. More specifically, we believe that the Chinese experience represents a strong argument against the viability of market socialism as a stable and progressive form of workers' empowerment.

Historical Context for Post-Mao Economic Reforms

China under Mao followed a strategy for building socialism that emphasized heavy industry, centralized economic planning, state ownership of the means of production, and party control over political and cultural life. The Chinese revolution and resulting state policies succeeded in ending foreign domination of the country and feudal relations in the countryside and achieving full employment, basic social security, and generalized equality for Chinese working people.¹

However, these broad and significant achievements came at great social cost. The upheavals associated with the Great Leap Forward (1958-61) and the Cultural Revolution (1966-76) involved considerable social instability and loss of life. Urban workers also became increasingly frustrated by the party's resistance to industrial democracy, including its opposition to a greater role for workers in enterprise management. The sole legal union federation, the All-China Federation of Trade Unions, proved no help. Operating under tight party control, its main responsibility was to promote production and labor discipline.² Strikes for higher wages and greater worker self-organization and independence took place in 1949-52, 1956-57, and 1966-67.³ Jackie Sheehan gives some sense of the organizational efforts and political orientation underlying and growing out of these actions:

By the late spring of 1957, the high point of both the Hundred Flowers campaign and the wave of industrial unrest which had built up through the previous year, party authorities were...facing not just individual discontent, but organized collective resistance from some parts of the workforce. Autonomous unions were formed, often termed "redress grievance societies," and while many of these groups were confined to a single enterprise, there was also some liaison and coordination of action between enterprises and districts....Workers themselves knew that the difficulties they were experiencing were by and large a direct result of national decisions on individual and managements policy, now that everything from wage rates to lengths of apprenticeships had been standardized across all industries and regions, and accordingly "much of their wrath was directed against cadres in factory, government, Party and union positions."⁴

Increasing popular dissatisfaction with economic, political, and social trends finally led to the Tiananmen incident of April 5, 1976. The day before, a traditional day for honoring the dead, up to half a million Chinese had laid wreaths and poems at Tiananmen Square in memory of Zhou Enlai (who had died the previous January). Because Zhou had been criticized during the Cultural Revolution by the Red

Guards (in part for defending some of its victims), the Chinese government interpreted this act as a criticism of its policies. It "removed the wreaths from the Square overnight, which led to violent and widespread unrest the day after, April Fifth. The resulting movement was dominated by workers and organized around the workplace. The government's crackdown was correspondingly brutal as workers voiced dissenting opinions on the widespread existence of favoritism, hypocrisy and inequality."⁵

Thus, despite the very real achievements of the revolution, the Chinese people at the time of Mao's death in September 1976 still remained far from enjoying steady and secure increases in their standard of living or exercising democratic control over their economic and political life. Mao's death therefore provided an important opportunity for the Chinese people to reevaluate past efforts, shape new initiatives, and advance the building of socialism in China.

Deng Xiaoping, who had been criticized by Mao during the Cultural Revolution for being a "capitalist roader," proved a wily political strategist. He was able to take advantage of the uncertainties of the immediate post-Mao period to quickly rehabilitate himself on the basis of his call for "unity and stability."⁶ In late 1978, he succeeded Mao to become China's paramount leader.

Publicly proclaiming his commitment to socialism, Deng pursued the creation of what he and his allies called market socialism. Their position was that Mao had left the country in a dismal economic situation, largely because his policies had been too ideological and not in keeping with a scientific understanding of objective conditions. They argued that the critical task of the party was to help build the country's forces of production, which would require the introduction of market forces. Only market forces could overcome China's existing stagnation and ensure the economic progress needed to advance the process of building socialist relations of production.⁷

In reality, the Chinese economy at the end of the 1970s was far from a disaster, especially in industry. For example, between 1952 and the end of the Mao era, industrial output increased at an average annual rate of 11.2 percent. Despite disruptions to production during the Cultural Revolution decade (1966-76), industrial production still grew at an annual average rate of over 10 percent.⁸ Moreover, these gains were achieved with little outside assistance. In fact, with the exception of Soviet aid during the 1950s, China faced a hostile economic environment. As a result, China was one of the few third world countries to enter the decade of the 1980s with no foreign debt.

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Agricultural development was, on balance, far less successful. For example, food production barely matched the growth in population. As Maurice Meisner explains:

Rural living standards were virtually stagnant over the final two decades of the Mao era, rising on average by less than 1 percent per annum, and that from a miserably low base. Whereas the gross value of industrial output increased tenfold from 1952 to 1975, agricultural output grew only twofold. Even that gain was attained only by vastly increasing the size of the agricultural workforce.⁹

Among the reasons for this poor record were inadequate investment in agriculture, the maintenance of adverse terms of trade for farm products in order to subsidize heavy industry, and the generally authoritarian and inflexible character of agricultural management under the commune system.¹⁰ At the same time, Chinese peasants did enjoy meaningful improvements in public health, housing, education, and social security through the commune system. Moreover, "the extreme polarization of wealth that existed before 1949 was gone."¹¹ Even in terms of production itself, China's agricultural sector was still outperforming those of many other third world countries. As Mark Selden noted, "In 1977 China grew 30 to 40 percent more food per capita [than India] on 14 percent less arable land and distributed it far more equitably to a population which is 50 percent larger."¹²

Nonetheless, at the close of the Mao era, China's economy faced serious and growing problems that could only be overcome through the adoption of new state policies. Economic planning had become overly centralized and, as the economy grew more complex, unable to effectively and efficiently respond to people's needs. There was overproduction of some goods and underproduction of others, inefficient transportation and distribution, and difficulties with poor product quality.

There were also problems in the organization of industrial production, where productivity was declining and output increases were sustained largely through ever-larger capital investments and a growing industrial labor force. Factories employed workers under conditions of lifetime employment, which meant that in many cases workers were being employed in unproductive activities. Wages were set nationally and basically frozen at their 1956 level. In addition, workers were given little opportunity or encouragement to take control over the conditions of production and reshape them as necessary.

The economy also suffered from investment imbalances, with too many resources being channeled into heavy industry at the expense of light industry and agriculture. The peasantry paid for this

strategy with low prices for, and compulsory transfers to the state of, their output. Industrial workers suffered from a lack of consumer goods.

The Cultural Revolution, which was an attempt to shake up the system, also had negative consequences that went beyond the disruption of production, investment, and technological development. Rather than empowering working people by strengthening their collective organization, it wore them out with constant campaigns orchestrated from above, leaving them less motivated by social or moral appeals. And it was followed by a reassertion of hierarchical party control both in production and at all levels of society.¹³ For example, unions were basically suspended during the Cultural Revolution. When they were finally reactivated in the late 1970s, they were reorganized to ensure greater party control over their activities.¹⁴

In short, the system was grinding down, and worker and peasant dissatisfaction was growing. There was a critical need to build on the strengths of China's past achievements while empowering workers and peasants to create new structures of decision making and planning. Among other things, this implied a restructuring and decentralization of the economy and state decision making to enhance the direct control of the associated producers over the conditions and products of their labor. Unfortunately this is not the way that the post-Mao government responded to the people's desire for change.

The Post-Mao Reform Process

The party, led by Deng, argued that solving China's economic problems required raising the country's productive forces and not further experimentation with new socialist relations of production. And, according to Deng, the best way to enhance these productive forces was through greater use of markets. Markets would help overcome past problems of centralized decision making and allow for more efficient use of productive resources, including labor. The predicted result would be more rapid growth and technological progress, as well as sustained increases in consumption and consumer well-being.

It was the party's decision to marketize the Chinese economy. There were no mass movements seeking to solve China's many economic and social problems by strengthening market forces. As Robert Weil explains:

"Markets" were imposed on the Chinese people by government fiat, notably in the forcible breaking up of the agricultural commune system which had been developed under the leadership

of Mao Zedong, to be replaced with a system of individual family contracts, and in the equally rapid and forcible demolition of socialist forms of collective public welfare now being imposed on state-owned enterprises and all the other major institutional centers of the society, including universities.¹⁵

As we shall see, while it may have been a party decision to begin marketization, market imperatives quickly proved uncontrollable. Each stage in the reform process generated new tensions and contradictions that were resolved only through a further expansion of market power, leading to the growing consolidation of a capitalist political economy. Thus, rather than "using capitalism to build socialism" as reformers argued would be the case, the reality has been that market socialism "used socialism to build capitalism."¹⁶

The Reform Process: Stage I (1978–83)

The greater use of market forces was presented, at the Third Plenum of the Chinese Communist Party in December 1978, as the key to achieving a "historic shift to socialist modernization." The party called for giving more authority to regional and provincial planning bodies, giving greater power to state firm managers to organize production, and encouraging more diverse forms of production, including cooperative and private firms. According to party pronouncements, centralized planning would still shape the overall structure and direction of economic activity but new growth would now increasingly be promoted and organized by the actions of these newly strengthened economic actors. The key element underpinning and giving coherence to this new approach was to be the creative and flexible use of markets. State firms and local governmental bodies would be motivated by a new freedom to pursue profits, and market forces would ensure that their individual decisions would be responsive to both people's needs and the overall planning initiatives of the party.

The reforms were first introduced in selected urban areas in early 1979. Central to the state's efforts to promote market socialism was the creation of a labor market. Without the freedom to freely allocate "labor resources," managers would be unable to rationally restructure production in response to market signals and thereby increase the overall efficiency and productivity of the economy. Because the government recognized that this policy undermined an important achievement of the Chinese revolution, it began by pursuing labor market reforms through pilot programs in which managers at selected enterprises were given the power to terminate lifetime employment contracts, discipline workers, and

even close some inefficient firms.

In 1983, the state took a major step by ordering state enterprises to hire new workers on a contractual basis, meaning that their employment would be for a limited time, with none of the job security and welfare benefits enjoyed by regular state workers.¹⁷ "By April 1987 China's state-owned enterprises (SOEs) had enrolled 7.51 million contract workers, about 8 percent of the industrial workforce," and an additional 6 million state-enterprise workers faced "employment reforms, which would result in their becoming contract employees."¹⁸ One obvious effect of the contract labor system was to increase inequalities and divisions within the industrial working class.

Selected state firms were also allowed to produce and sell goods above regulated government prices after meeting plan targets. In addition, the larger state enterprises were allowed to retain a share of their profits for investment and bonuses.¹⁹

The private sector also received new encouragement as part of the reform process. Initially, private enterprises were restricted to employing fewer than seven family members and "apprentices." However, that limit was rarely enforced; it was abolished altogether in 1987. The private sector workforce grew from about 240,000 at the end of the 1970s, to 1.1 million in 1981, and 3.4 million in 1984.²⁰

The state simultaneously encouraged the growth of urban collective enterprises. These included some sizable industrial operations producing light consumer goods, smaller industrial enterprises producing more traditional handicrafts, and relatively large retail and service companies. Although initially dependent on the state sector, the urban collectives were "profit-oriented...and many of them are in fact private firms wearing a fake 'red cap' for supplies, credit, and tax expediency."²¹ Collective workers were fully wage workers, rather than collective owners of their enterprises. Moreover, they enjoyed none of the job protections or benefits of state workers and were also commonly paid less than state workers. Table 3 shows that by the mid-1980s, urban collectives accounted for significant shares of total employment in the manufacturing and domestic trade sectors.

Despite these initiatives, state enterprises remained dominant and state planning directed most economic activity during this first stage. For example, as of the mid-1980s, state enterprises still employed approximately 70 percent of all urban workers. Nonetheless, as indicated in table 3, this represented a significant decline from their 78 percent share of urban employment in 1978. The relative decline in employment in state enterprises was

especially pronounced in the domestic trade sector.

Significantly, even at the very beginning of the reform process, the state placed great importance on attracting foreign multinational corporations. One of the reasons was that foreign firms were considered the best vehicle for introducing and legitimizing the capitalist-oriented market principles that the party hoped to encourage. The party could not hope to immediately convert state enterprises into profit-maximizing firms. Managers and workers had little experience with market processes and many could be expected to oppose them for a variety of reasons. Foreign firms, on the other hand, expected and could be granted substantial freedom over the organization and direction of their economic activity and could therefore serve to model and encourage the desired domestic restructuring of production relations.

Thus, in 1979, Deng launched what he called the "open door" policy, designating four special economic zones for foreign investors along the southern coast in Guangdong and Fujian provinces. He argued that foreign investment would help to create new jobs and bring in new technology, serving as "schools" for learning how to operate in a market economy. These zones were widely promoted but were not initially very successful in attracting much investment. In an attempt to encourage more FDI, in 1983, the Chinese state relaxed the restrictions that had limited foreign investment to joint ventures and agreed to allow wholly owned foreign operations.

Among the first effects of the urban reform process was rising prices. State firms began shifting their sales to the unregulated market where they could charge higher prices. Private producers followed suit. Officially, prices rose 6 percent in 1979 and 7 percent in 1980. Actual inflation was higher. This inflation undermined the wages of state workers and, in an attempt to head off worker opposition to the reforms, the state provided additional funds to state enterprises so that they could raise wages. This extra spending pushed the state budget into deficit and in 1981 the state began issuing bonds to raise funds for the first time since the early 1950s.²²

The closure of some state enterprises as well as new state-imposed labor regulations in state-owned enterprises also led to unemployment. The state responded to this problem by intensifying its support for private and collective enterprises, in part because their activities were not dependent on state funds.

In 1981, with inflation and labor resistance to employment changes generating fears of social and economic instability, the state decided to bring its urban reform efforts to a temporary halt. It slowed down economic activity and reintroduced central control

over state enterprise activity, especially over selling and pricing decisions.

State efforts to reform the rural economy began not long after the introduction of the urban reforms. Their aim was to boost agricultural production through market-based reforms. In the spring of 1979, the government raised prices for compulsory grain deliveries by 20 percent and offered a 50 percent premium for grain delivered above quotas. It also boosted prices of other agricultural products.²³ In addition, it reduced state restrictions on rural markets and increased legal limits on the size of private plots within the commune.²⁴

In September 1980, the government took another major step in the reform process: it ordered the decollectivization of agricultural production. The decollectivization process involved a series of steps in which the commune-based system was replaced by a family-based household production system. By 1983 approximately 98 percent of all peasant households were operating according to the logic of this new system, using collective land to produce agricultural goods for sale on the market. While in theory the land was still public property, in reality it had become the private property of those families that had contracted for its use.²⁵ New government regulations issued in 1983 and 1984 allowed those in possession of contracted land to use wage workers for production or to rent out the land to tenant farmers. By the end of the 1980s those in possession of contracted land had full rights to rent it, sell it, or pass it on to their heirs.

The demise of the commune system also involved the transfer of political and economic power to new governmental entities. The new constitution of December 1982 gave the communes' previous political and administrative powers to newly created township and village governments. These governments also took possession of the communes' industrial assets, which were restructured as township and village enterprises (TVEs).

One of the big attractions of the Chinese reform strategy for progressives, especially outside of China, was the rise of TVEs. Left critiques of state socialism had focused on the undemocratic and wasteful consequences of the highly centralized control over, and top-down management of, state-owned enterprises. TVEs were seen as a hopeful alternative form of organization, in that they were said to be collectively organized and market oriented.

The number of TVEs grew fast, from 1.5 million in 1987 to 25 million in 1993.²⁶ By the latter year, TVEs were employing over 123 million workers, up from 28 million in 1978 (see table 4). However, these enterprises never functioned as vehicles for worker

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empowerment or socialist advancement. In actual fact, few are collectives involving worker decision making; they are really "private operations in disguise."²⁷ In many cases individual government leaders run them, appointing managers and directing the allocation of earnings. In some cases they are actually joint ventures, in which foreign capital maintains a controlling position through its domination of the board of directors. They can and do go bankrupt. It is common for many of the workers to be temporary, with management having power to hire and fire at will.²⁸

In addition, worker earnings have remained low. This is not surprising insofar as the TVEs "fall outside many of the regulations designed to protect the rights and conditions of urban workers. Trade unions are usually absent or piecemeal in such workplaces, and their record on welfare, rights, and health and safety is very poor."²⁹ Studies have shown that "on average TVE workers earn basic wages which are lower than the minimum wage and must earn the rest through overtime and piece-rate quota bonuses. Even the basic wage is not guaranteed since the minimum wage is set by local township authorities whose material interests—both institutionally and privately—are tied up in the maximization of profit."³⁰ Indeed, TVE "competitiveness and profit margins" are largely underwritten by the "abundant supply of dirt-cheap rural labor" freed up by the dissolution of the commune system and impoverishment of individual farm families.³¹

In terms of their contribution to employment, the TVEs peaked in absolute and relative terms in the mid-1990s. Since 1996, both the absolute number of TVE workers and their share of the total labor force have declined, although they retain a significant share of rural employment (see table 4). In large measure this trend is the result of new state policies that stress the benefits of privatization. One result of the decline in TVEs is that more and more rural workers (currently well over 100 million by most accounts) have been migrating on a seasonal basis to urban areas in search of employment. There, they make up a large pool of cheap labor power, which private enterprises use to discipline the urban industrial labor force.³²

The changes in agricultural policy highlighted above produced big gains in agricultural output between 1978 and 1984. According to Meisner, this was "perhaps the most economically successful period in the history of Chinese agriculture."³³ The gross value of rural output, including that produced by the township and village industries, grew by an average annual rate of 9 percent in comparison to 4 percent in Mao's last decade. As a result, per capita rural incomes doubled over the 1978-84 period.³⁴

While the Chinese government argued that its privatization and marketization policies were responsible for these gains, the real credit should go to the higher agricultural prices offered by the government as well as its shift of investment funds to support agriculture and rural-based light industry.³⁵ In fact, agricultural gains came to a halt by 1985. The end of the commune system led to the decay and collapse of the rural infrastructure and social support system. Grain production declined, and farmers, finding it difficult to support themselves and their families, began abandoning the land for rural or urban industrial work.³⁶

The Reform Process: Stage II (1984–91)

The party's freeze on urban reforms and economic tightening during 1982–83 succeeded in stabilizing the urban economy. And, encouraged by the early gains in rural production and incomes, the state decided to renew, in fact accelerate, its urban reform efforts in 1984. This decision was based on the party's determination that inflation and unemployment were largely due to the limited nature of the prior urban reform efforts and that the best way to overcome both problems was to push the reforms forward. They believed that if state-owned firms and local governments were given more economic freedom then they would be better able to organize production so as to lower costs and prices. Meanwhile, new initiatives to encourage the growth of private, especially foreign-owned enterprises would help to keep unemployment within acceptable limits.

Although the party initially presented market reforms as providing a mechanism for enhancing the efficiency and effectiveness of central planning and the operation of state-owned enterprises, the second stage of reform actually involved a shift in policy toward greater reliance on market forces and non-state production. Thus, while the Twelfth Congress of the Party held in 1982 gave economic planning "primary" status and market regulation a "secondary" status, at the third plenum of the Twelfth Congress in 1984, the party adopted the notion of a "planned commodity economy," thereby elevating the status of market forces.³⁷

More specifically, the new reforms involved a further reduction in central control over and support for state enterprises. In the past, state enterprises received all their funding from the state and, in return, transferred all their revenue to the state. The new reforms ended this relationship. Rather than receive state allocations of funds, state enterprises would now be expected to finance their operations through retained earnings (after taxes) and bank loans from the state banking system. "Since the loans bore interest and

were repayable, it was assumed that they would encourage factory directors to utilize scarce capital with greater prudence and in a more economically rational fashion, thereby mitigating the chronic problem of the overproduction of some goods while there were persistent shortages of other products."³⁸

The state also changed its budgetary relationship with local and provincial governments. These units of government were now given the right to retain a greater share of the tax revenue and earnings they collected and greater freedom over how to use them. This was to further encourage them to pursue investments and organize the production of enterprises under their jurisdiction in response to market opportunities.

Having decided to rely on market forces to shape production and investment decisions, the state had little choice but to end state control over prices. An October 1984 party decree allowed the prices of most consumer and agricultural goods to move freely in response to market forces. The prices of most industrial products would also be allowed to move freely, but within a band set by state planners. Only the prices of basic industrial and essential industrial products like steel, coal, and oil would still be set by the central government.³⁹

The party's tighter embrace of market forces also required significant new labor market reforms. These reforms were necessary to ensure that state managers would be free to pursue maximum profits in response to changing market conditions. Already, in 1982 the Chinese Communist Party had "abolished the right to strike in the new constitution."⁴⁰ But party proposals to end employment guarantees for state workers were an even more controversial reform.⁴¹ A compromise was reached within the party which mandated that while workers already employed at state enterprises as of October 1985 would retain their job tenure and benefits, newly hired workers were to be hired under a contract system for a specific time limit.⁴² Moreover, they could be fired if management felt that they were not sufficiently productive.

As one measure of how quickly China's reform process was promoting the commodification of labor, by 1984, regular state workers made up only 40 percent of China's industrial labor force (which also included rural industrial workers).⁴³ Hence, the relatively stable share of state enterprises in total manufacturing employment through the mid-1980s masked a real decline in the average employment security of state-enterprise workers.

State workers, not surprisingly, opposed these moves toward a two-tier labor force and increased managerial prerogatives. As Gerard Greenfield and Apo Leong explain:

There was strong resistance by workers to the labor contract system, though in official discourse the failure to implement the Labor Contract Law of 1986 in state-owned and collective enterprises was attributed to bureaucratism and poor understanding of why or how it was to be done. Although managers acquired even greater powers in 1988 with official recognition of their power of dismissal, they did not overcome resistance to the labor contract system on the shop floor. In 1986 only six percent of state-owned enterprise (SOE) workers were placed under the contract system, increasing to a quarter of all SOE workers in 1994.⁴⁴

Worker resistance to the new contract system was also reflected in a slowdown in labor productivity growth, as employed workers refused to give up their job security and labor force entrants continued to demand access to secure state-sector jobs.⁴⁵ As a result, "the reforms were considerably reinterpreted, amended and weakened, particularly by the trade unions, before they were introduced to the workplace."⁴⁶ New performance-based pay initiatives, for example, were only very partially implemented.⁴⁷

Meanwhile, the state continued to place a high priority on foreign investment. In 1984, the territorial areas of the four original special economic zones were expanded and fourteen additional coastal cities were opened to foreign investment. In 1985 three large regions were similarly opened to foreign investment: the Pearl River delta, Min River delta, and Yangtze River delta. In essence the entire coastal area was opened to foreign investment.

This effort was justified by the alleged success of the Shenzhen zone in promoting export-oriented foreign investment, making it "the vanguard of urban reform" for the entire country. In reality, Shenzhen was far from a success.⁴⁸ There was a lot of economic activity in the zone, most visibly state construction to build sites for foreign investors, especially from Hong Kong. However, while Hong Kong businesses did invest in the zone, their contribution proved minimal. Their operations, which took advantage of the region's low-cost labor force, did little to build industrial skills or transfer technology. They also did little to boost China's foreign exchange earnings. "Rather than exporting its products, some 70 percent of the goods produced in Shenzhen were sold on the Chinese domestic market, often illegally for foreign currencies. Moreover, most of what Shenzhen imported, either from abroad or from other parts of China, wasn't consumed within the zone itself but rather resold for illegal profits to buyers in the interior of China."⁴⁹

Even when it became clear that Shenzhen was functioning

primarily as a base for illegal private profit making, the state continued with its special zone strategy. In 1986, the government introduced new and more liberal regulations for foreign investment. These included lowering taxes and other costs of business, giving foreign companies more freedom to hire and fire workers, and making it easier for them to acquire foreign exchange.

In March 1987, Zhao Ziyang, then secretary general of the Chinese Communist Party, called for offering foreign investors new preferential conditions as part of his proposed coastal development strategy. In an October 1987 report to the Thirteenth National Congress of the Communist Party of China, entitled *Advance Along the Road of Socialism with Chinese Characteristics*, he declared that China "should enter the world economic arena more boldly" and that its aim should be to develop an "export-oriented economy."⁵⁰ Zhao's strategy received the support of the party congress.

As before, the reform effort almost immediately began generating serious economic imbalances and tensions. With enhanced freedom to pursue profits, state firms and TVEs raised their prices and began borrowing to boost their productive capacity. Local governments also began buying up and converting farmland into industrial use. The cost of construction materials soared as did the prices of investment goods and materials. This burst of demand triggered a sharp rise in imports, especially of basic inputs and machinery. China's balance of trade registered sizable deficits in 1985 and 1986, of \$14.9 billion and \$12.0 billion respectively.⁵¹

Inflation also became a major problem. After rising at an annual rate of approximately 8 percent over the years 1985-87, prices jumped by more than 18 percent in both 1988 and 1989. They rose even more, by as much as 30 percent, in Beijing and other large cities. The large increase in inflation again forced the government to raise state wages. This, in turn, produced a growing central budget deficit: a record \$5.9 billion in 1986, a new record of over \$6 billion in 1987, and yet another record deficit of over \$9 billion in 1988.⁵² These deficits were financed by state borrowing, which in turn added to inflationary pressures.

The seriousness of the problems of inflation, declining real wages, trade deficits, and budget deficits took several years to become apparent. Initially it appeared that the reforms had succeeded brilliantly. During 1980-89, China's real GDP grew at an annual average rate of 9.7 percent, tied with South Korea for the world's fastest rate of growth.

More direct evidence of success came from the generally acknowledged improvement in rural and urban living standards

during the first few years of this phase of the reform process. As noted above, the rise in agricultural production during the early 1980s and establishment and growth of rural industries generated a rapid increase in rural incomes. This increase, coupled with the government's support for light industry and willingness to run budget and trade deficits, combined to ensure a growing demand for goods and services and a plentiful supply of those goods and services.

However, the collapse of the commune system and rising prices of agricultural inputs eventually put the squeeze on farm production, which began stagnating by the mid-1980s. Agricultural incomes, which grew by 15 percent per year during 1978-84, rose by only 5 percent annually over 1985-88, and by a mere 2 percent in 1989-91.⁵³ Rural industries, whose output had grown by an average annual rate of 37.7 percent between 1984-87, also faced growing hardships in the following years largely as a result of inflation and a shift in government policy toward urban industry.⁵⁴

The inflation also hit urban workers hard. The government admitted that 20 percent of urban families suffered declines in their living standards in 1987.⁵⁵ An unpublished report of the All-China Federation of Trade Unions estimated that the average real income of China's urban population had fallen by 21 percent in the same year.⁵⁶ And, with inflation accelerating in the following years, poverty problems likely grew worse, especially for those employed in the state sector.

With trade and budget deficits, inflation, food shortages, and labor unrest growing, the government finally decided in late 1988 to halt its reform efforts and slow down the economy by tightening the money supply and reducing bank loans and investment. The economy went into recession in 1989. TVEs were especially hurt since they relied heavily on bank loans. Rural unemployment rose sharply and many of those unemployed began migrating to the cities in search of employment. Protests by urban workers against economic conditions also became increasingly common. In response, "the government took a tougher line":

Premier Li Peng told the police to be vigilant against "social upheavals," while control of the media was tightened...as editors were told not to criticize the economic reforms, not to talk of political reform, and to be very careful about reporting incidents of industrial action against price increases in places like Poland.⁵⁷

This history provides the context for the rise of China's democracy movement, the events of Tiananmen Square, and the political repression that followed, which especially targeted workers who had formed autonomous workers' federations in solidarity with

students. The Chinese government maintained its tough political line and the economic status quo throughout 1990.

The Reform Process: Stage III (1991–Present)

The economic slowdown once again helped restore economic stability, encouraging the government to resume its expansionary policies in 1991. And, in early 1992, Deng Xiaoping launched the next stage of China's reform process while on a month-long tour of southern China. During a visit to the special economic zone at Shenzhen, he declared that "as long as it makes money it is good for China."

The Fourteenth Party Congress, in October 1992, announced its determination to establish a "socialist market economy with Chinese characteristics."⁵⁸ Markets, of course, were already freely operating in China. The significant development in this stage of the reform process was that the party had now decided to abandon its long held commitment to state-owned enterprises as the central anchor of the Chinese economy.

As W. K. Lau explains: "The official SOE reform policy had been conceived in terms of revitalizing the majority of SOEs...by means of increasing SOE autonomy, managerial incentive creation, subjecting SOEs to increasing market discipline, state developmental intervention and the like."⁵⁹ However, the Chinese state had now decided to shrink the state sector, not simply by encouraging faster growth in the non-state sector, but by actually privatizing SOEs.

This step required a careful restatement of the party's earlier position that the state sector would play the leading role in the economy in order to maintain the socialist character of China's development:

In November [1993], the third plenum of the Fourteenth [Party Congress] adopted a resolution on how to establish the 'socialist market economy.' In line with the Thirteenth Congress' position, the public sector would remain the 'principal part' of the economy. This would be achieved by it occupying a 'dominant position' in total assets, with the state economy playing a 'leading role' through holding 'controlling stakes' in enterprises in 'pillar industries' and the 'key enterprises' in 'basic industries.' In other words, private equity participation in all but military enterprises and SOEs producing 'exceptional products' was envisioned.⁶⁰

The state's plan was to turn targeted large and medium state enterprises into limited liability or shareholding companies. Limited liability companies would have two to fifty shareholders. Shareholding companies would have more than fifty shareholders and could offer public issues. One hundred centrally run and 2,500

locally run state-owned enterprises were selected for the conversion, which was largely completed by late 1998.⁶¹

In late 1994, the privatization policy was extended under the slogan of "grasp the big and enliven the small." Under this policy, the state determined that it would maintain control over the 1,000 largest state-owned enterprises, while "all remaining state firms would be available for leasing or sale into private hands."⁶² This privatization was "done de jure or de facto through transformation into so-called share-based co-operatives (SBC). In SBCs, shares are supposed to be sold to the enterprise's employees only (hence the 'cooperative' nature). The term 'employee' (*zhigong*), however, includes management, and in practice, profitable firms have mostly been privatized through management buyout, while workers are forced to take up unprofitable ones in order to save their jobs."⁶³

Since 1995, the privatization of small SOEs has proceeded at a rapid pace. Ironically, this privatization drive picked up steam just when many left and progressive economists were celebrating the China experience as offering a new model for socialism. By the end of the 1990s, SOEs employed only 83 million people, representing just 12 percent of total employment and just over one-third of urban employment. Their contribution to GDP had declined to only 38 percent.⁶⁴

As a result of these developments, the joint-stock company was becoming the dominant form of enterprise organization. For example:

At the end of 1996 4,300 SOEs had been converted into joint stock companies. In 1997 there were over 9,200 joint stock companies in China including start-up firms and those transformed from existing companies (both SOEs and rural enterprises); 107 of them ranked among China's largest 500 industrial enterprises and 62 ranked among China's largest 500 service enterprises. Their average net fixed assets was 500 billion yuan, representing over 20% of the total for all industrial SOEs.⁶⁵

Still, the process of privatization continued. In September 1999, the Fourth Plenum of the Fifteenth Party Congress expanded the "let go of policy" to include medium as well as small state-owned enterprises. In July 2000, even the Beijing city government announced that state and collective ownership would be phased out in all small and medium-sized SOEs within three years.⁶⁶ As of 2001, state enterprises accounted for only 15 percent of total manufacturing employment and less than 10 percent of employment in domestic trade (see table 3).

The Chinese Communist Party defended this privatization process by adopting the neoliberal economic argument that private firms are

inherently more efficient than state enterprises. It argued that past economic problems were due to the failure of state enterprises to fully orient their production and investment decisions towards market-based profit-making activities. They continued to employ too many workers, produce inefficiently, and remain overly dependent on bank debt and state subsidies to sustain their operations.

However, reviews of the theoretical and empirical literature on privatization have concluded that no such blanket endorsement of private over state enterprise is warranted. Rather, the consensus (at least outside hard-core neoliberal circles) is that the effects of privatization on efficiency depend on market conditions in the relevant industries (including financial and technological conditions), the quality of private corporate governance, and the degree of inefficiency and corruption in the privatization process itself (e.g., in the pricing of assets sold off).⁶⁷ Moreover, the vaunted "efficiency" of private over public enterprises is often due to the former's unencumbered pursuit of private profit, whereas state firms are often charged with additional economic and political goals such as employment and welfare provision, and promotion of fixed capital formation, that have a high social priority even if they are not profitable for the firms undertaking them. Indeed, one detailed comparison of China's industrial SOEs and non-SOEs over the 1978-2000 period found that the profitability gap between them was fully explained by the higher tax rate on and greater capital intensity of the SOEs, both of which reflected specific government priorities and/or discrimination against SOEs.⁶⁸

In reality, privatization in China has been driven by the exercise of class power and the nature of the reform process itself. The basic class dynamic is one in which "Communist cadres use their party cards to 'borrow' state assets to set themselves up as capitalists, while under the banner of 'socialism with Chinese characteristics,' they wield a club to break the workers' 'iron rice bowl'—their right to employment, housing, food rations and other benefits."⁶⁹ This "asset stripping" by enterprise or party insiders can take place in a number of different ways, including fraud, selective transfers of assets to independent subsidiaries (domestic or in Hong Kong), channeling firm subsidies toward personal uses (children's tuition, entertainment and travel expenses, for example), tax avoidance and evasion, undervaluation of state assets when setting up joint ventures, opportunistic use of shareholding enterprise forms (joint-stock and/or shareholding cooperative forms), illegal sale of state assets or their legal sale at undervalued prices, and/or bad debts and bank lending practices.⁷⁰

Regardless of the means, asset stripping turns state property into capital assets that can be used to exploit the freed-up labor power, replicating what Marx termed "primary capital accumulation," although this time in the name of the "socialist market economy." Russell Smyth cites "rough estimates" of the daily loss of state assets at between 100 million yuan and 300 million yuan.⁷¹ Other studies provide additional support for the conclusion that asset stripping is a serious problem:

In 1994 the People's Bank of China prepared a survey entitled 'Research Report on the Loss of State-Owned Assets' based on a sample of 50,000 state-run industrial enterprises. It found that just 5% of state-owned capital increased in value, while 62% decreased in value and 23% lost all of its value entirely. According to a separate survey of 124,000 SOEs conducted by the National Administrative Bureau for State-Owned Property in 1994, asset losses and unaccountable expenses amounted to 11.6% of total assets in the sample firms. The situation has got much worse since the Fifteenth Congress in September 1997.⁷²

This outcome is not just the result of personal greed, but also an inexorable result of the alienation of the party from its purported working-class base. The more market reforms were pursued, the more the party "antagonized working people, and thus the more acutely it felt the need to restore private property so that its privileges could be passed on to the bureaucrats' children."⁷³ As noted by Eva Cheng, the party's push "for capitalism in all but name" has been "supported zealously by the military, provincial and local bureaucrats whose ability to pursue their private gains has been much enhanced by the material resources provided by sweeping fiscal decentralization."⁷⁴

Alongside these class dynamics, the effects of the reform process on the financial stability of the state sector and banking system were also a crucial factor leading to party endorsement of privatization. In the pre-reform fiscal system, government revenue derived mainly from a simple indirect tax on, and the direct transfer of earnings from, state-owned enterprises. From 1957-78, state industry accounted for 75 percent of all fiscal income.⁷⁵ State planners would then allocate funds to enterprises for production and investment according to plan priorities and in support of social welfare policies.

However, the budget system could not keep up with the reform process. Under market socialism, state enterprises no longer automatically transferred all their revenue to the central government. They did continue to pay taxes, but the amount was limited by their declining earnings. One important reason for the decline in

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earnings was the reform process. By opening markets to competing private enterprises that were free of the many employment and social welfare obligations of state-owned enterprises, the party undermined the state sector's monopoly power and profitability.⁷⁶

While state firms faced growing financial difficulties, the private sector enjoyed rapid growth. By 1995 it accounted for 40.4 percent of non-agricultural employment, 35 percent of registered capital, 33.8 percent of industrial output, 45.1 percent of retail sales, and 47.7 percent of exports.⁷⁷ Moreover, the private sector enjoyed especially favorable tax rates. As a result, while the private sector accounted for roughly 40 percent of national economic activity, it contributed only 11.4 percent of tax payments.⁷⁸ As a consequence, fiscal revenue as a share of GDP fell from approximately 35 percent in 1978 to less than 11 percent in 1996.⁷⁹ The state thus found itself with a growing budget deficit. This development was especially troubling for social stability, since the central government, as part of its reform effort, was committed to assuming responsibility for various social welfare functions, including health care and unemployment insurance.

State-owned enterprises also found themselves increasingly short of funds. One reason was their crushing tax burden. Between 1982 and 1996, the state taxed away 86 percent of total state sector net income.⁸⁰ This situation forced state enterprises to increase their reliance on bank loans. However, the decline in state enterprise earnings meant that state banks were extending more and more credit to enterprises that were increasingly unable to repay their debts. This put China's banking system at risk:

The Xinhua News Agency has reported that the central bank's governor, Dai Xianglong, admits that non-performing loans (NPLs) account for 26.6 percent of total lending by China's top four state-owned commercial banks. As of the end of September last year [2001], NPLs held by these financial institutions totaled 1.8 trillion yuan (US\$217 billion)....Things may be worse than they sound because China substantially understates its NPLs relative to international accounting standards. State-owned banks classify a loan as non-performing only if interest payments have not been paid for two years....By contrast, the international standard classifies bad loans as those that have not been serviced after three months. According to Ernst & Young, nearly half of all loans made by Chinese banks may never be repaid.⁸¹

Although aware of the problem, the authorities were reluctant to order a halt to the loans for fear that state-sector bankruptcies would intensify the brewing fiscal crisis and create a potentially more dangerous unemployment problem. Thus, the reform process

created instability in the state sector, which was transmitted to both the central government's fiscal budget and the state banking system.⁸²

The party found privatization to be the most attractive response to this situation. For one thing, sales of state enterprises would generate desperately needed state revenue. Moreover, newly privatized enterprises were expected to be less dependent on the state banking system for operating funds. The city of Shenyang, "once a major heavy industrial base on the Chinese planned economy," offers a good example of the scope of the resulting privatization process. "The city government formed a joint venture with a Hong Kong-based subsidiary of a British investment bank and put 126 SOEs and 18 industrial groups into its portfolio to sell to domestic and foreign investors."⁸³

Similar dynamics also led to the privatization of most TVEs. As the reform process proceeded in the early 1990s, the TVEs lost many of their earlier advantages. As Samuel P. S. Ho, Paul Bowles and Xiaoyuan Dong explain:

The banks, the main source of funds for TVEs expansion in the mid-late 1980s, came under increasing pressure to operate on more business-like lines and to scrutinize loan applications more carefully. The deepening of enterprise reforms in the state sector further reduced the organizational advantages which TVEs had enjoyed over SOEs in the area of enterprise autonomy. Moreover, the markets for many products produced by TVEs had shifted from sellers' to buyers' markets; the degree of market competition facing TVEs intensified and the macroeconomy became sluggish. This came at a bad time for TVEs which had invested heavily in the 1993-94 period, largely financed by bank loans, following the impetus given to the economy by Deng's southern tour.⁸⁴

Equally devastating for TVEs, with new opportunities to profit from private production, many managers began illegally transferring TVE assets or products to private enterprises where they could earn greater returns. This asset stripping accelerated in the mid-1990s after the party committed to the privatization of small state enterprises. Convinced that "their enterprises would be sold to them sooner or later...managers [believed that] the more the enterprise's assets went down, the lower would be the price they needed to pay when the local government finally decided to sell the enterprise."⁸⁵

Faced with declining profits and deindustrialization, township and village officials took their cue from state officials and began a rapid sell off of TVEs beginning in 1996. More often than not, township and village officials sold the TVEs under their control to

the individuals that had managed them, believing that that this was the most effective way to ensure an end to the asset stripping that had helped to encourage the privatization in the first place.⁸⁶

As a result of these developments, China's economic future now depends heavily on the performance of privately owned enterprises, a reality acknowledged, if not welcomed, by the Communist Party. In 2002, the party opened its membership to private entrepreneurs. And, in December 2003, it recommended that the National People's Congress amend the constitution to provide a new and stronger legal foundation for private property, placing it "on an equal footing with public property."

Privatization was not the only strategy forced on the central authorities by the contradictions of its reform effort. As suggested by the Shenyang example, the state also redoubled its effort to attract FDI. Attracting foreign investors was important in part because not many domestic investors had sufficient resources to afford shares in the large and medium-sized firms scheduled for privatization. Foreign enterprises were also thought likely to help promote the desired profit-maximizing behavior throughout the economy. They were also thought able to generate the exports needed to cover China's rising trade deficit.

The Chinese government implemented a number of policies to attract FDI, including opening up new geographic areas and industries to this investment. As desired by the government, most FDI—approximately 90 percent between 1986 and 1999—has so far been in the coastal areas.⁸⁷ The initial foreign investment came largely from overseas Chinese; but starting in the early 1990s, U.S., European, and Japanese investors have greatly increased their share.⁸⁸ To this point, most FDI has been in manufacturing. However, there appears to be a specialization based on the nationality of the investor. As Elissa Braunstein and Gerald Epstein explain:

Investors from the Chinese Diaspora of Hong Kong and Taiwan, etc. are at one end, investing primarily in labor-intensive, low-wage exporting firms; [at the other end are] firms from Japan investing in intermediate goods products and higher quality products for the Japanese market; and U.S. and European firms primarily investing in firms they hope will sell to the Chinese market. Of course, U.S. firms are well known to hire low-wage firms on a contract basis to produce goods for export.⁸⁹

China's success in attracting FDI and the importance of that investment to the Chinese economy during this stage of the reforms can be highlighted in a number of different ways. Table 2, for example, shows the rapid growth in FDI in dollars and as a percentage of gross investment, beginning in the first half of the

decade of the 1990s. As a result of this investment, the share of foreign manufacturing affiliates in total manufacturing sales grew rapidly and steadily from 2.3 percent in 1990, to 14.3 percent in 1995, and to 31.3 percent in 2000 (table 5).

Perhaps most important, foreign investors, with government encouragement, have helped to transform China into an export-led economy. The ratio of exports to GDP climbed steadily over the decade of the 1990s, from 16 percent in 1990 to over 26 percent by 2002 (see table 1). And, as table 6 illustrates, these exports were increasingly produced by foreign-funded enterprises; they now account for over 50 percent of the country's total exports. As a part of this process, the share of manufactured exports in total exports rose from 48.6 percent in 1980, to 55.7 percent in 1990, and 85.5 percent in 1996.⁹⁰ As a result of this development, China's economic growth is now becoming increasingly dependent on the export activities of foreign transnational corporations.

This transformation was intensified by the East Asian crisis of 1997-98. The crisis led to stagnation in FDI and threatened to trigger a slowdown in the Chinese economy with serious repercussions as far as employment and social stability were concerned. In response, the Chinese government worked hard to reassure foreign investors and provide new incentives for a renewal of investment. Above all this required a sustained effort to join the World Trade Organization (WTO). China succeeded, becoming a member in December 2001.

This achievement is likely to lead to a further dismantling of the state sector and consolidation of foreign production as the leading force in the Chinese economy. As UNCTAD explains:

The Chinese economy has a dualistic industrial structure. While it has a highly competitive labor-intensive, export-oriented manufacturing sector dominated by FFEs [foreign funded enterprises], it also has a fairly traditional capital-intensive industrial sector dominated by State-owned enterprises (SOEs), as well as an agricultural sector that enjoys a relatively high degree of government support and protection. Although the SOEs account for about half of China's exports, their sales are, on balance, directed primarily at domestic markets. The SOE sector has been undergoing transformation and restructuring for several years, but the reform process is far from complete. Thus a rapid dismantling of trade barriers and removal of subsidies could expose SOEs to foreign competition, which could undermine their export performance, as well as lead to a surge in imports.⁹¹

The likely result of this intensified foreign competition is either the bankruptcy of a large segment of the state sector or its privatization. And, with massive imports, the Chinese government

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would also be forced to promote an even greater reliance on exports. Given the structure of the Chinese economy, this would no doubt mean the further dominance of foreign-owned enterprises.

Conclusion

As we have seen, the Chinese economy has undergone a reform process delineated by three different stages. The first stage involved a weakening of central planning with the aim of creating a new, more efficient market socialist economy. The second involved privileging the market over planning. The third has led to the privileging of private enterprise over state enterprises, and increasingly foreign enterprises and markets over domestic ones. This reform process highlights the slippery slope of market reform. Once the path of pro-market reforms was embarked upon, each subsequent step in the reform process was largely driven by tensions and contradictions generated by the reforms themselves. This dynamic appears to verify recent Marxist theoretical criticisms of market socialist models.⁹²

Our analysis of China's reforms also contradicts those progressives who, while downplaying explicit references to socialism, continue to view China as a model of national development. For these progressives, the contrast between China's successes and the reversals in the East Asian "miracle" countries shows that state-interventionist economic policies still work better than neoliberalism. But as we have seen, China's reform program has undermined the viability of state planning and direction of economic activity, thereby encouraging the adoption of a growth model increasingly dependent on foreign capital and exports—the same kind of growth model whose contradictions were revealed by the 1997–98 East Asian crisis.⁹³

In sum, regardless of intentions, the Chinese Communist Party launched a process of economic transformation that has created an economy that has little to do with socialism. And for leftists to identify it as such is to create confusion about what socialism really means, thereby strengthening the ideological position of those that oppose it.

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3. Contradictions of China's Transformation: Domestic

Many progressives agree that China is not a socialist country, but argue that its controlled process of transformation has been a success, having produced rapid industrial growth and a rising standard of living for the great majority of Chinese. The reality, however, is that the marketization, privatization, and increasing foreign domination of China's economy have generated growing tensions and contradictions that have already undermined economic stability and imposed unacceptably high costs on China's working people.

Unstable Economic Dynamics

China's current instabilities can be traced not only to the inherent tensions and contradictions in capitalist accumulation but also to the starting point of the reform process. Deng launched his program of market reform on an economic structure that had been shaped by Mao's concern for defense and broad-based industrialization. Mao wanted to make sure that most regions were self-contained industrial networks; this produced national duplication of industrial facilities. Deng's decentralization efforts, which encouraged firms and local governments to undertake investment and production in the context of a market environment, were supposed to overcome this "inefficiency" by promoting more specialization, thereby boosting productivity and growth. These efforts received support from a new financial policy which encouraged banks to make "interest-bearing loans to enterprises rather than non-repayable grants...with the aim of encouraging enterprises to use their funds more efficiently."¹ There was, after all, "no formal requirement for banks to continue lending to loss-making enterprises."²

The result of these new policies was that state banks, for reasons of political expediency and corruption, more or less passively accommodated the credit demands of state enterprises and local governments eager to expand their existing industrial activities and/or undertake new ones in the hopes of gaining wealth. Investment and production thus "functioned in a system of 'soft budget constraints'" in which "demands of enterprises (or provinces) or the flow of investable funds supplied by the banks were not always

subject to a rigorous risk/incentive calculus."³ The hypothetical power of banks "to restrict credit to loss-making enterprises and to require their restructuring" was "rarely undertaken" in practice, so that bankruptcy "pose[d] no serious threat to enterprise managers."⁴

Rather than produce a more specialized and efficient economy, this dynamic only reinforced China's "duplicative industrial structure by allowing every production branch at both the central and local levels continued expanded reproduction in the extensive mode."⁵ One example: "As of 1997, 22 out of 30 provinces wanted to have their own automobile industry, such that there were altogether 122 whole-vehicle assembly lines with a combined annual output of only 1.5 m vehicles, 80% of the plants produced less than 1,000, and only 6 plants more than 50,000 vehicles annually."⁶

State-owned enterprises were even given extra incentives to increase production and "engage in extra-plan activities." Supplementary fiscal resources were also supplied to local governments to promote "socioeconomic developments in their jurisdiction."⁷ Not surprisingly, enterprises and governmental units raced to take advantage of these subsidies and their new freedom to pursue profit. "State-owned enterprises were too eager to increase their investment—managers and workers could get higher remuneration if the projects succeeded, but they would lose almost nothing if they failed. Local governments, which had also been given more autonomy in the usage of retained tax revenues, also favored high economic growth. They often forced the state banks to provide funding to the enterprises."⁸

All of this investment did, of course, accelerate economic growth. But it also created a massive excess demand for goods and services, triggering inflation and economic instability. This forced the government to slow the economy and bring a halt to the first stage of the reform process in 1981-83. The reform drive was restarted, in a second stage, in 1984. But once again growing inflation and economic instability forced the government to bring it to a halt in 1988-90. In short, "overexpansion of credit" had become "a continuing tendency...giving a 'stop-go' character to financial macro-management."⁹ The general "proliferation of banking institutions and the emphasis on expanding the quantity of funds" also contributed to this problem, given "the weakness of central control over an increasingly diverse and decentralized financial system."¹⁰

The government launched the third stage in the reform process in 1991. As before, the economy expanded rapidly with GDP growing at a record 14.2 percent in 1992, 13.5 percent in 1993, and 12.6 percent in 1994 (see table 1). But the unplanned nature of the

growth process again triggered a massive inflation. Consumer prices rose, according to official figures, at a record 14.7 percent in 1993, 24.1 percent in 1994, and 17.1 percent in 1995 (see table 7).

With the inflationary spiral rising to new heights, the government searched for new ways to regain control over the allocation and use of resources. It introduced new tax laws to reduce the flow of resources to local governments in favor of the central government. It also took steps to recentralize the banking system. In 1994, it created three policy banks, which were to operate under the supervision of the central government. Finally, the central government reorganized the People's Bank of China (China's central bank), replacing provincial branches with regional branches in an effort to reduce provincial government intervention in lending activity.

However, the reform process did more than generate inflation, it also undermined the stability and viability of the state sector itself. As discussed in chapter 2, state enterprises found their earnings insufficient to sustain their operations, especially given that the reform process had lowered their profitability. This left them increasingly dependent on state bank loans for funds. And, as the state banks continued to lend to loss-making SOEs, they accumulated more and more delinquent loans on their books—a problem accentuated by the banks' tendency to provide new loans to refinance both the old loans and to cover new SOE losses.¹¹ As a result, the overall SOE debt-equity ratio rose from 23 percent in 1980 to 440 percent in 1998, while the ratio of non-performing loans to total loans in the state banks (conservatively estimated) rose to about 24 percent just before the 1997–98 East Asian crisis, and to at least 29 percent immediately thereafter.¹²

The central government tried to deal with these loan problems through the creation of asset management companies (AMCs) that were to absorb bad loans and sell them at a discount; but the market for these recycled debts turned out to be so soft that the AMCs were forced to convert them into stock in the bankrupt companies, which was then carried on AMC books. In this way, the potential write-offs involved were merely shifted to the People's Bank of China, which stands behind the AMCs.¹³ Thus, the government has so far been unable to fashion a workable response to growing state-sector production and financial problems.

The Social Consequences of Economic Reform

The Chinese economy now operates largely according to capitalist logic. This is reflected not only in the country's industrial structure that is increasingly defined by the operations of private, profit-

making firms, but also in the accompanying transformation in the social relations and realities that shape the working and living conditions of the majority of Chinese working people. For example, the dismantling of the state sector has led to severe problems of unemployment. From 1995 through 1999, the number of state-owned industrial enterprises fell from approximately 100,000 to 60,000.¹⁴ This decline translated into massive layoffs of state-sector workers. For example, from 1996 to 2001, some 36 million state-enterprise workers were laid off; over the same period collective firms laid off 17 million workers.¹⁵

Despite these large layoffs, the government claims that the urban unemployment rate rose from only 2.9 to 3.1 percent over the period 1995–2000 (table 7). However, its figures are severely biased downward. First, the government's measure of unemployment seriously underestimates the unemployment among rural residents and rural-urban migrants.¹⁶ Second, it does not include workers who are laid off by state enterprises. These workers are not counted as unemployed. Rather they are classified as in a state of *xiagang* (off post) and continue to be listed with their enterprise. The percentage of state workers listed as *xiagang* has grown dramatically. According to Ching Kwan Lee:

In a survey of redundant workers in 17 provinces, it was found that annual *xiagang* rate increased steadily from 0.7 percent in 1988—when managers were first given the power to ‘optimize’ labor utilization—to 10 percent in 1994. But in 1995, at the time of heightened implementation of labor contracts, the rate skyrocketed to 23.8 percent and then to 35.8 percent in 1996.¹⁷

In sum, the official unemployment rate remains low because only “sacked workers aged up to 50 (for men) or 45 (for women) are officially classified as unemployed. Millions of others are neither *xiagang* nor sacked but without a job because their enterprises have simply ceased operation.”¹⁸

The Social and Economic Policy Institute, an independent research group in Hong Kong, attempted to correct these shortcomings. Its estimates of the actual urban unemployment rate, shown in table 8, reveal a substantial and growing difference between official and real rates for the period 1993–98. Other analysts suggest an even higher real urban unemployment rate. For example, the “Central Bank governor, Dai Xianglong, estimated that in the first half of 1996, 7–8 percent, or 12–14 million, of the urban workforce was unemployed.”¹⁹ Rene Ofreneo cites a figure of roughly 13 percent, while an even higher estimate of 17–20 percent has been circulated by the International Labor Organization.²⁰

Chinese workers have every reason to fear being laid off or

unemployed. The *xiagang* workers in theory "still receive a portion of their former salaries and still have government housing," but for many workers these promises have not been kept. The rest of the unemployed "subsist on benefits of less than \$10 a month."²¹ According to the *Times of India*, the Chinese government admitted that:

it faces a 'grim' problem of unemployment which appears likely to spiral into the country's worst ever joblessness crisis. The situation is considered so severe that it "could well undermine social stability," vice minister of labor and social security Wang Dongjin said, quoted by the state-run *China Daily*....The unusually frank admissions in a country which has traditionally claimed improbably low rates of joblessness follow weeks of industrial unrest centered around China's ailing northeastern industrial heartland. Many of the demonstrators in [what] have been among the biggest protests to hit the country in years were laid-off workers from inefficient state firms, a sector many economists expect to suffer even more following China's recent entry to the WTO.²²

The reform process has also led to worsening income inequality. The Gini coefficient for household income in China rose from 0.33 in 1980, to 0.40 in 1994, and to 0.46 in 2000. The last figure surpasses the degree of inequality in Thailand, India, and Indonesia.²³ Most observers suspect that China's Gini coefficient now exceeds 0.50, placing its income inequality near Brazilian and South African levels.²⁴

While the majority of Chinese workers struggle to make ends meet, a small minority of petit bourgeois and bourgeois Chinese pursue lifestyles similar to upper-income U.S. citizens, complete with Southern California-style suburban upscale housing, luxury automobiles, gourmet cuisine, and high-fashion clothing and jewelry.²⁵ The Chinese government now uses May Day to pay tribute to the wealthy exploiters, as in 2002, when the All-China Federation of Trade Unions awarded medals "to the heads of four privately owned companies" while "another 17 businessmen were declared 'model workers' in the northwestern province of Shaanxi, where Mao once made his revolutionary headquarters."²⁶

Women workers have been especially hard hit by the reform process. Women make up around 60 percent of workers laid off from SOEs, even though women account for only about 40 percent of the labor force.²⁷ In addition, the average duration of female unemployment tends to be longer than for males, as "75% of unemployed Chinese women are still in search of jobs after one year, compared with less than 50% of their male counterparts."²⁸

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Those still employed have been increasingly crowded into low-wage service jobs (janitorial and maid work, restaurant serving, for example), while the higher paying positions in industry and management are reserved for men. Even within job categories, pay discrimination against women is increasingly prevalent, and the size of the male-female wage gap (controlling for job characteristics) is much larger in the more liberalized (foreign-funded) firms than in the SOEs.²⁹ For those women who do find jobs in manufacturing, the reward is often backbreaking and dangerous toil at paltry wages—especially in the intensely competitive light-export sector.³⁰ More than a few women (estimates range from the tens to the hundreds of thousands) are captured by a growing black market for female labor (and brides)—a market underwritten not only by rural poverty and the demand for cheap labor power but also by the disproportionate abortion rate for female fetuses (in rural China six boys are born for every five girls).³¹

The growing deterioration of working conditions for Chinese workers may be the most important indicator of the bankruptcy of the Chinese reform process. Writing about these conditions, Tim Pringle observes:

Abuses of Chinese workers' rights have been widely documented both inside and outside China over the past five years. Forced overtime, illegal working hours, unpaid wages, and dreadful health and safety conditions are commonplace. The general pace of work has increased dramatically as competition forces the prioritizing of order deadlines and production targets over safe and dignified working environments. "There is no such thing as an eight-hour day in China anymore," explained a private employment agency in Shulan, northeast China.³²

According to the *New York Times*, "China has emerged as Asia's leading exporter of manufactured goods to the United States, but the workers who produce those goods are victims of a surge in fatal respiratory, circulatory, neurological and digestive-tract diseases like those American and European workers suffered at the dawn of the industrial age."³³ China's State Administration of Work Safety reported over 140,000 fatalities from workplace accidents in 2002, up from 100,000 two years earlier. The number of serious industrial injuries is no doubt much higher, but difficult to determine given the large number of incidents "left out of the official count either because the boss does not have insurance, or because workers were not hired legally, or because officials are under pressure to show that they have safety under control."³⁴

The destruction of the communes and transformation of state enterprises have also meant that most working people have lost

their social safety net, including pensions, housing, health care, and increasingly even primary and secondary education. For example, SOEs no longer provide pension benefits. Individual workers are now supposed to be served by a nationally organized system funded by worker, state, and employer contributions. By 1997, 78 percent of SOE employees and 95 percent of SOE retirees were to be covered by this national system. Tragically, because of its fiscal crisis, the state does not have sufficient funds to ensure adequate pensions.³⁵

State enterprises also no longer provide housing support for new workers. Existing workers are told that they must pay market rents or buy their existing houses (with the support of credit from government institutions), if they want to continue living in them.³⁶

SOEs also no longer provide health care to their employees. As with pensions, enterprise-based health care is to be replaced by a national system, supported by tripartite funding. However, as was true with pensions, the state does not have adequate revenue to provide even minimal health care. The growing number of workers "falling ill or suffering injuries on the job" are thus increasingly "fending for themselves with little or no health insurance."³⁷ In rural areas, the dissolution of the communes has also led to a collapse of public health care. "Huge numbers of China's 800 million rural residents are in a medical free fall, as the once-vaunted system of 'barefoot doctors' and free rural clinics has disintegrated over the last decade."³⁸ As a result, "Farmers in most parts of the country have difficulties gaining access to doctors or obtaining medicines or medical treatment."³⁹

Nationwide, public health-care coverage declined from 90 percent of the population in 1978 to 4 percent in 1997.⁴⁰ "Today medical care in China is almost entirely a matter of cash from individual patients, and there is no public health insurance for the poor."⁴¹ Accordingly, "the World Health Organization now rates China last among developing countries in terms of equal access to medical care."⁴² As with employment restructuring, inequality in health-care access (including maternity-related services, and treatment for occupational illnesses and injuries) has hit working-class women especially hard.⁴³

The 2003 SARS crisis may offer the clearest illustration of the extent of the collapse of the Mao-era social welfare system.⁴⁴ But this debacle had been foreshadowed by the failure, of both government authorities and China's new free market in medical services, to respond to the country's worsening tuberculosis and HIV epidemics.⁴⁵ In fact, the collapse of public health services and growing poverty contributed to both problems, most tragically in the case of HIV, which was transmitted like wildfire through the

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selling of blood by immiserated rural workers. A *Guardian* reporter chronicles the connection between the reform process and the contemporary health crisis in China as follows:

The provision of health services and social security to the mass of the population was perhaps the Chinese revolution's single most important achievement. But even at the height of the communist system there was never a national health service. The provision of medical care derived from a work unit—a factory, a school, a people's commune—that had the responsibility to take care of its workers and their families. It was an arrangement that covered most people, but with Deng Xiaoping's move to a market economy, the system was doomed....Economic liberalization meant the end of most of those work units: state industries are closing down, agricultural communes were disbanded long ago and agriculture has been privatized. Nothing has taken their place, and the services the units used to provide have lapsed. Responsibility for public health rests with local authorities which do not appear to have either the funds or the interest to maintain it. Even in the cities, where two decades of economic reforms have brought a general rise in living standards, the burden of medical care is now largely a private responsibility that many can't afford....The SARS outbreak has reminded the Chinese of what has been lost over more than two decades of sustained economic growth, as they discover that dilapidated public health services are in no shape to fight an epidemic, or even to report one consistently.⁴⁶

The same basic forces underpin a similar development in China's education system. As "Chinese schools have become increasingly privatized, they charge the parents steeper fees."⁴⁷ In fact, a rapid growth in urban elite private schools has taken place since the 1980s, with foreign investors playing a critical role.⁴⁸ Rising school fees and low incomes "are keeping an increasing number of children out of the classroom," especially in rural areas.⁴⁹ With the central government having "largely stopped subsidizing primary education a decade ago...education is increasingly a luxury item in China's poorest villages, purchased only when finances allow—and far more often for boys than for girls."⁵⁰ In some villages, only 20 percent of girls and 40 percent of boys attend school. There are entire provinces where less than half of the girls attend any school at all—and many who enter drop out before completing the elementary level.⁵¹

Not surprisingly, the effects of the destruction of the social safety net have not been gender neutral. Women have generally been called upon to carry a heavier domestic load, which then hampers their ability to find acceptable employment in China's increasingly deregulated labor market. As Ching Kwan Lee explains:

In the reform period, the retreat of enterprise paternalism and the commodification of services means that reproductive responsibilities are privatized, that workers must either pay for services like child care, canteen meals and medical care, or resort as much as possible to the unpaid labor of women in the household....[As a result], it is not surprising to find that market opportunities for second jobs or job changes are also biased against women both because they have not accumulated as many marketable skills as their male counterparts and because their heavier domestic responsibilities deprive them of both the flexibility of time and geographical mobility required for second jobs or non-state sector jobs.⁵²

Widening Fault Lines

The negative social consequences of China's economic reforms have not only devastated the lives of uncountable numbers of Chinese. By undermining domestic purchasing power, they tend to reinforce the destructive dynamics of the reform process, thereby further extending and deepening the misery. Those left without jobs because of the dismantling of the state sector have been forced to greatly reduce their consumption. Even those who find new work, normally in the domestic private or urban collective sector, tend to earn lower wages, which limits their expenditures. Moreover, because most workers now need to finance their own health care and pensions, many have been forced to increase their savings, again at the expense of consumption.

The rural economy has not been immune to these trends. As *The Economist* explains, "the incomes of most rural residents (who account for 65 percent of the population) have been stagnating for the past four years [1998-2001]."⁵³ One government-proposed solution has been to move peasants out of farming and into other sectors. But rural industry has been facing declines and shedding workers. And, the urban areas have been unable to generate sufficient jobs to keep urban unemployment under control, let alone absorb additional flows of surplus labor from rural areas. As a result, the purchasing power of the majority of rural people (and of rural-urban migrants) has stagnated.⁵⁴

The relative stagnation of mass working-class demand combined with the vastly expanded industrial base created by earlier investments in plant and equipment have created a crisis of excess capacity, especially in consumer durable goods industries. For example, in 1995, the capacity utilization rate was 44.3 percent in the motor vehicles industry, 46.1 percent in the color TV industry, 54.5 percent in the bicycle industry, 50.4 percent in the refrigerator industry.⁵⁵

As noted by Bertell Ollman, such overproduction problems are a definite sign that China's economy has fallen under the sway of the exploitative and anarchic dynamics of capital accumulation.⁵⁶ "The earning power of China's notoriously low-paid workers (with relatively few workers making more than \$60 a month) has kept consumption within China lagging far behind the rapidly expanding output of China's factories and workshops, and the growth of foreign markets, as impressive as that has been, has simply not been enough to take up the slack."⁵⁷ Liu Yufan draws the same sensible conclusion: "Overproduction and underconsumption are two ends of the same stick, and the name of the stick is capitalism."⁵⁸

Another sign that overproduction has taken hold in China is the shift from inflation to deflation. Consumer prices rose at an annual rate of over 24 percent in 1994. By 1996 they were rising at a rate of only 8.3 percent (table 7). Beginning in the second quarter of 1998 the retail price index fell below zero for 22 consecutive months. While domestic imbalances generated the downward trend in prices, the Asian financial crisis, which produced a decline in exports and FDI, no doubt worsened deflationary pressures. In the case of exports, their growth rate fell from 21 percent in 1997 to only 0.5 percent in 1998 (see table 1). Prices did rise slightly in 2000 and 2001; but they fell again in 2002 (table 7).

The Chinese government, worried that sustained deflation might cause a massive collapse of the state industrial and financial sector, responded with several initiatives designed to boost demand. It cut interest rates beginning in May 1996 to stimulate borrowing and spending. This did not prove successful and the government made more aggressive moves. In 1998 it greatly increased its spending.⁵⁹ It continued heavy deficit spending in 1999 and 2000. The government also began slowly refocusing its spending away from infrastructure construction and towards social welfare programs, especially for health and pensions for workers being laid off by state companies, as well as research and development. Finally, it supported a significant loosening of controls on the expansion of bank credit.

While these initiatives succeeded in maintaining (officially measured) real growth at or above 7 percent per year (see table 1), they have done little to overcome underlying economic instabilities. Not only did deflation return in 2002, but the extra spending has added to the state's growing debt problems. The government claims that the public debt load remains under control. "As a ratio to GDP, China's fiscal deficit and outstanding debts in 1999 were respectively 1.7 percent and around 10 percent, well below the safety levels of 3 percent and 60 percent."⁶⁰ But things are not as positive

as they may seem. First the government's definition of deficits remains problematic. For example, before 1994, the government recorded the issuance of public debts as part of budget revenue, thereby vastly undercounting the deficit. In addition, it was not until 2000 that the government started counting interest payments as a budgetary expenditure. Adjusting for this latter change alone brings the 2000 budget deficit to 2.9 percent of GDP.⁶¹ "More important, if unrecoverable bank loans were included, total debt would already account for more than 45% of GDP."⁶²

Such debt/GDP ratios become far more serious when one considers that China's public sector revenue/GDP ratio is only 13 percent, compared to the 30 percent or more ratios typical of many European countries (and of pre-reform China). A deficit of 3 percent is much harder to fund in China than in other countries, because its GDP growth generates far less revenue for the government. "One measure of the repayment ability is the debt dependency ratio of fiscal expenditure, that is, the amount of debt issued divided by the expenditures in the same year. The ratio for the central government budget has exceeded 50 percent since 1994, and was over 70 percent in 1998. This is probably among the highest in the world."⁶³ Thus there are real limits on how much more the Chinese government can safely increase its deficit spending.

Moreover, the demands on the central budget are growing rapidly as more layoffs take place and new nationally funded pension funds and welfare programs are supposed to replace those that were previously funded and organized by individual state enterprises. Thus the Chinese economy is facing growing structural problems that will not be easily overcome. For example, if the government reduces its spending or seriously tightens money and credit growth, then state enterprises—and even a significant number of non-state enterprises—could easily go under, pushing the economy into a serious recession while adding further to government budget liabilities including the amount of bad loans on the books of the state banks and AMCs.

In addition, because government spending has not solved the problem of overproduction, i.e., of overaccumulation of both money and real capital relative to profitable and productive opportunities for their employment, its longer-term effect has been to fuel a nationwide speculative boom in the real estate sector. Thus, overpriced and largely vacant luxury and semi-luxury housing as well as commercial structures now coexist with excess industrial capacity. As of September 2003, "Some 17% of new bank loans now are related to property, an all-time high."⁶⁴ It should be noted that China's last cycle of real estate boom and bust, which ended eight

years ago and was much less widespread and intense than the current one, "added huge amounts to banks' bad-loan tallies, so if another bust is big enough, it would have severe implications" not only for the banks, but for "affiliated industries like cement and steel, [and] jobs in construction"—not to mention "the specter of a middle class disaffected by a drop in home values."⁶⁵

Facing diminishing benefits from its more traditional policy options, it is not surprising that the reform process has pushed the Chinese government to place greater and greater emphasis on exports and FDI to boost the economy. Proof of the increasing importance of foreign economic activity is easy to find: a 21 percent jump in exports accounted for roughly one-third of China's real GDP growth in 1997; a 38 percent year-on-year rise in exports accounted for roughly four-fifths of real GDP growth in the first half of 2000.⁶⁶ According to Stephen Roach, chief economist at Morgan Stanley, although exports made up only approximately 26 percent of the economy in 2002, they accounted for 74 percent of China's economic growth that year. Much of the remaining 26 percent ascribed to domestic demand was indirectly attributable to state spending and FDI.⁶⁷

This growing reliance on exports and FDI helps explain the Chinese government's determined push to join the WTO. But China's accession to the WTO comes at a high cost. In order to get its foot in the WTO door, China was forced to sign a "normal trade relations" (NTR) agreement with the United States. As Eva Cheng notes, the NTR

covers virtually all sectors. A crucial plank is the ending of the state monopoly, within three years, on the importing, distributing and exporting of most goods—industrial, agricultural and transport, even in the sensitive areas of telecommunications, wholesale, maintenance and repair....In addition, all restrictions on the quantity of imports will be eliminated progressively within five years (just two years for U.S. priority products, such as fiber optic cable)....For all major service categories, restrictions on foreign ownership have been significantly relaxed (allowing full control in some cases)....For banks and insurance firms, in particular, imperialist capital's long battle to secure the right to sell services to the Chinese population (in hitherto sensitive areas such as local currency transactions with Chinese firms and group, and health and pension, insurance products) is largely won.⁶⁸

The NTR's free-market provisions involve more than foreign investment and trade; they extend deeply into the domestic economic structure. "China pledged...to allow prices for traded goods and services in every sector to be determined by market forces, except for a few products specified in the protocol."⁶⁹ The

agreement requires that "SOEs and state investment firms will trade according to commercial principles, and the government will avoid influencing commercial decisions of SOEs."⁷⁰ It is no exaggeration to suggest that the WTO pledges not only "imply the complete and irreversible destruction of the last remnants of the planned economy and the complete restoration of capitalism, but also amount to giving up substantial economic sovereignty to imperialism."⁷¹

The WTO agreement can only accelerate the negative social trends and tensions previously highlighted. Ofreneo thus observes that "the ranks of the rural poor and the floating population are likely to grow":

To comply with the WTO, China will reduce whatever subsidy it is extending to the grain farmers and will increasingly liberalize the importation of grain. Already, American and other foreign grain companies are poised to dump wheat, corn, and other agricultural products commanding higher prices in China. Agriculture is clearly one area where the US expects to gain in trade with China under WTO rules (the other main area is in high-tech products).⁷²

Workers in state-owned enterprises can also expect to suffer. As a Hong Kong trade union leader explains:

Attracting foreign investors to invest in or buy-out state enterprises is the ultimate goal. Under deals made to gain entry into the WTO, the Chinese government will lift restrictions on foreign ownership in major sectors over the next 3 to 5 years. This means that officials in charge of major state-owned enterprises are preparing these companies for partnerships with foreign investors, and even takeovers....A key part of this drive to become attractive to foreign investors is the aggressive down-sizing of the workforce and cuts to labor costs. These cuts include removal of all financial obligations to former employees. These cuts, together with widespread corruption among state enterprise managers, has led many state enterprises to violate the terms of agreements given to retrenched workers and the refusal to pay wages, pensions and compensation.⁷³

Significantly, even UNCTAD predicts rising unemployment as a result of the opening up of the Chinese economy. UNCTAD expects a surge of imports that directly compete with SOE production, threatening the jobs of many remaining SOE workers. At the same time,

a rapid redeployment of labor to more competitive export-oriented, labor-intensive manufacturing is probably not feasible; nor is it advisable since it could flood the markets in these products and provoke contingency protection measures by China's trading partners through various mechanisms, such as transitional product-specific safeguards which are included among the conditions of

accession agreed by China. Although a number of domestic policy instruments may be deployed to defend jobs so as to allow more gradual reform, problems of adjustment can be expected to arise in the short and medium term in sectors dominated by SOEs.⁷⁴

UNCTAD goes on to assess the scale of restructuring as follows:

Removal of subsidies, reduction of tariffs and NTMs [non-tariff measures], and elimination of preferential treatment will, no doubt, exert considerable pressure on these [state-owned] enterprises to improve efficiency and competitiveness, which may call for considerable restructuring and labor-shedding....The scale of restructuring that remains to be done is immense. It has been estimated that about 35 million workers, or 17 percent of the urban work force, are redundant. According to a recent study, China's accession to the WTO could cause unemployment to rise as high as 25 million over the period 2001-2006.⁷⁵

Adding to the employment problem is the fact that recently established foreign operations have become increasingly capital intensive, while inward FDI may even reduce employment insofar as it involves purchases of, or increased competition with, preexisting firms. As Yufan observes:

More and more FDI is now buying up SOEs and therefore destroying jobs rather than creating them. Even in cases where FDI is for building entirely new plants, it is usually aimed at gaining markets that originally belonged to SOEs, implying that more jobs are going to disappear alongside new jobs created within foreign companies.⁷⁶

Although export-oriented FDI may not have the same job-displacement effects, China cannot hope to boost its more traditional labor-intensive exports sufficiently to provide the needed growth in employment. Indeed, table 9 shows that by 1995, manufacturing employment had already begun to decline, both absolutely and as a percent of total employment, despite continued rapid growth in manufacturing production and exports. The service sector and construction (the latter mainly dependent on government spending and the real estate bubble) have thus been left to take up the growing numbers of workers exiting from agriculture and other rural pursuits. And a huge overhang of over 300 million largely underemployed workers remains in the rural sector.

China's ability to generate jobs for this huge labor surplus is further threatened by the focus of the country's exports on the U.S. market. U.S. action to reduce China's growing trade surplus is looking ever more likely. For example, the U.S. government is pressing China hard to revalue its currency and speed up the opening of its markets to U.S. agricultural products in an attempt

to reduce China's large bilateral trade surplus. Besides, it is unlikely that the U.S. trade deficit can continue to grow without limit regardless of the preferred stance of U.S. policy makers on China.

In sum, despite its rapid growth, the Chinese economy is becoming ever more unbalanced and vulnerable to crisis. And, at the same time, living and working conditions for growing numbers of Chinese workers are deteriorating. To this point we have focused on the narrowly defined economic tensions and contradictions generated by the reform process; but insofar as the success of this process in capitalist terms both depends upon and intensifies labor repression and exploitation, it can be expected to generate growing working-class resistance. This could prove to be the most powerful contradiction generated by China's transformation.

Resistance

Chinese workers have often been dismissed as a passive mass, incapable of self-organization or collective action. Such a characterization represents a serious misreading of Chinese history. For example, urban workers engaged in a number of heroic mass strikes during the 1920s and 1930s in support of the revolutionary movement. Workers also engaged in direct actions throughout the Mao era to defend their immediate interests as well as secure greater democratic control over enterprise management. As noted in the previous chapter, in the face of strong party opposition, urban workers struck and employed slowdowns from 1949 to 1952. They renewed their activism in the mid-1950s, culminating in an April-May 1957 strike wave that was influenced by events in Hungary as well as encouraged by Mao's Hundred Flowers Movement. Taking advantage of new freedoms during the Cultural Revolution, workers launched another strike wave in 1967. They also expressed their general frustration with economic, political, and social conditions in 1976, in the events surrounding the April 5 incident.

Given this history, it should not be surprising that workers have, with increasing energy and determination, protested against the negative social consequences of capitalist restoration. A case in point: beginning in 1979, workers sought to use the openings created by the Democracy Wall Movement (1978-81) to express their opposition to Deng's reform process. Relying on methods and strategies learned during the Cultural Revolution, and influenced by the growth of the Solidarity union movement in Poland, they formed unofficial groups and publications to press for the freedom to form independent unions. "Several outbreaks of industrial unrest in China in the early 1980s were reported to have culminated in a demand for free trade unions to be established, including the dispute at the

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Taiyun Iron and Steel works in 1981.”⁷⁷

The following statement from the journal *Sailing Ship*, an unofficial publication of the Taiyuan Iron and Steel workers, illustrates how growing numbers of workers understood their situation in this period:

They [the workers] understand that if they want to change their wretched conditions, they cannot rely on any messiah, but must begin to organize themselves, to rely on their own strength, and to elect their own representatives to speak for them, and if at any time their elected representatives do not represent them properly, they will be recalled and another election held. This sort of demand on the part of the broad popular masses is the social basis for China's democratic reform.⁷⁸

Deng, who initially supported the Democracy Wall Movement because he found it useful in his own campaign against the Cultural Revolution, soon changed his position and suppressed it by arresting many of its leaders and outlawing its publications when he realized that his own policies were becoming its target. However, as social conditions worsened over the decade, students drew upon the legacy of this movement in launching their own Democracy Movement in 1989.

Students began gathering in Tiananmen Square in April to demand political reform. As demonstrations and crowds grew in size over the following weeks, more and more working people became involved. A core group of workers were inspired to form the Beijing Autonomous Workers' Federation. The federation grew quickly to a membership of between 10,000 and 20,000, although that number was more a reflection of political support for worker rights than a measure of organized strength in the workplace. As interest in the Democracy Movement spread to other cities during May, new Autonomous Worker Federations (WAFs) were formed and networked together.

On June 2, the official Chinese union federation called for the banning of the WAFs as illegal organizations. Two days later, the government took forcible action to end the democracy movement. Workers involved with the WAFs were especially targeted for punishment.

There were several new attempts at independent labor organizing in the early 1990s. The Free Trade Unions of China was formed in Beijing in 1991. In 1994, the League for the Protection of the Rights of Working People was established in Beijing. That same year, the Hired-Hand Workers Federation was formed in Shenzhen. Each of these groups was small and did not last long in the face of government repression. However, they represented a significant

movement forward from the WAFs in that these initiatives were more directly concerned with worker organizing.⁷⁹

While arrests of labor activists succeeded in crushing efforts to build independent working class organizations in the 1990s, it did not stop the steady and accelerating growth of labor activism. In the early years of reform, working-class resistance was mostly limited to the special export processing zone on the east coast, where courageous (and largely female-led) workers engaged in wildcat strikes, slowdowns, and individual acts of sabotage to protest exploitative work conditions, especially in factories run by foreign capital.⁸⁰ Subsequently, labor protest has broadened to encompass laid-off SOE workers, workers in privatized enterprises subject to wage and benefit cuts and speed-ups, and farmers and other rural poor.

Even facing "ferocious state repression of labor activists," Chinese workers nationwide have engaged in public protests demanding that their right to subsistence be protected.⁸¹ On December 24, 1997, the *New York Times* relayed "numerous reports of small-scale worker protests around the country over such concerns as nonpayment of wages or pensions, fear of job losses after corporate takeovers, and conflicts over dismissals and severance pay."⁸² Two days later, the Associated Press observed:

Sacrificed to save decrepit state industries, the jobless are looking for work by the millions across China—an army of the discontented that has jolted the communist government with a spreading wave of protests....So far the protests have remained small and centered on local issues....Demonstrations have bedeviled China all year—more than 450 in the first six months alone, according to exiled labor activist Han Dongfang. Much of the unrest...has taken place in Sichuan, a landlocked province saddled with outmoded factories far from prosperous coastal markets. But in the past few weeks, protests have spread to the eastern city of Hefei and to the coal-mining town of Jiaohu in the northeast.⁸³

The *Los Angeles Times* summed up the situation as of spring 1999:

Reports are rife of labor unrest across the country, from Hunan province in the south to here in the northeast, China's rust belt...(T)he government fears that laborers—particularly the unemployed, who number between 15 million and 25 million in China—might organize en masse to become the wellspring of new opposition to Communist rule. Or, worse yet, that disgruntled workers might try to link up with other disenfranchised groups, such as political dissidents, to create some sort of united national front.⁸⁴

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Official Chinese statistics confirm the reports of growing labor resistance. There were 198,000 officially reported labor disputes in 1999. That number rose to 327,152 in 2000. As Pringle notes, "These statistics represent the continuation of a spectacular increase in disputes that began in the early 1990s."⁸⁵ These labor dispute statistics include individual labor disputes that are often settled through China's legal system, as well as more significant collective actions. Looking just at the latter, which normally require and/or produce greater organization, unity, and class consciousness, we find a similar trend. There were 6,767 collective actions (usually strikes or slowdowns involving a minimum of three workers) involving 251,268 people in 1998. This represented an increase in collective actions of 900 percent from 1992. In 2000, the official total of collective actions grew to 8,247, involving 259,445 workers.⁸⁶

A new and even more significant wave of labor activism began in spring 2002. According to one analyst, its significance lies in the fact that it involved "stronger membership, unity, leadership, and a better level of organization."⁸⁷ From March to May some 80,000 workers in two northeastern provinces engaged in unprecedented demonstrations that lasted for months. Approximately 50,000 oil workers marched and demonstrated in Daqing City in Heilongjiang province; more than 30,000 workers from more than 20 state-owned enterprises held demonstrations in Liaoyang City in Liaoning province. "In both cases workers were demanding unpaid wages, pension and compensation, as well as protesting against the corruption and injustice of local officials and enterprise managers. And in both cases police and armed soldiers were deployed to put down the protests."⁸⁸

The Daqing worker protests included the formation of an independent labor organization, the Daqing Provisional Union of Retrenched Workers, which included a large number of workers from the same workplace. Equally significant, despite government efforts to isolate the workers, news of their actions spread beyond Heilongjiang province, leading oil workers in other provinces to stage solidarity strikes and protests.⁸⁹

The Liaoyang protest by workers at the Ferroalloy Factory began as a relatively small action involving only a few thousand workers, but grew stronger and larger in response to state repression. As Trini Leung explains:

Police brutality against the demonstrations and the detention of several representatives one week after the first protest action was staged brought 30,000 workers from over a dozen factories out in the streets of Liaoyang to express their support and solidarity for the Ferroalloy workers. The Ferroalloy workers continued for

several months to organize regular demonstrations demanding the government release their representatives and respond to their calls for investigation into corruption in their enterprise and in the local government. The main strength of the Liaoyang protests lies in their high level of organization which unites the plant's workers around an open leadership. In this sense the Liaoyang Ferroalloy Factory workers have organized the most successful archetype of an independent union in China since 1949.⁹⁰

Meanwhile, in rural areas, "The peasant class, whose dissatisfaction has driven governments from power throughout China's history, is growing restive again, swelling the ranks of the country's disaffected along with laid-off workers, struggling pensioners and the millions of Chinese who have migrated from the countryside to cities where they eke out a tenuous existence."⁹¹ Farmers are protesting low agricultural prices, high taxes and administrative fees (used largely to finance the luxurious lifestyles of the party elite), and the police practice of meting out beatings to those who cannot afford to pay taxes.⁹² Perhaps the most notable protest by farmers took place in August 2000, in Yuandu, Jiangxi province (in south-central China):

More than 10,000 angry peasants converged on the two-story, white-tiled town hall here in August, demanding relief from high taxes and administrative fees that eat up any profit from farming....According to residents, terrified town officials barricaded themselves inside the building on Aug. 17 before 30 truckloads of armed police arrived to disperse the crowd. At least one farmer was severely beaten in the ensuing melee, and more than a dozen others were carted away....When word of the Yuandu protest spread, thousands more angry farmers rampaged through neighboring towns...breaking windows and even attacking the homes of some officials. Farmers say the police are still searching for leaders of the protests.⁹³

The overall impression given by the Chinese working-class movement is one of spontaneous, decentralized, and uncoordinated resistance—but not completely so. When thousands of laid-off workers in Mianyang, Sichuan province, conducted a street demonstration on July 7, 1997, "to demand new jobs," exiled labor activists described the action as an outgrowth of protests that had been going on for many months, "involving as many as 100,000 people in all."⁹⁴ The protest wave apparently included "not only workers, but also peasants...working in close co-operation," and "staging sit-ins and marches" for at least a year. "Job losses have not been the only issue: the elderly have been demanding overdue pension payments, and peasants have been calling for compensation for land taken over by the government."⁹⁵

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Even smaller individual upsurges have been partly preplanned. When an August 1997 demonstration by 20 laid-off workers outside city offices in Dujiangyan, southwestern China, was attacked by the police (who struck and kicked the protesters), workers were enraged. They responded by organizing "days of larger, noisier protests," receiving the support of "pedicab drivers," who, "as word of the confrontation spread...came out in force over the next few days to tie up traffic."⁹⁶

Perhaps the most striking example of organized action involves the Daqing workers. "There have been reports that preparations for [the Daqing Provisional Union of Retrenched Workers] had been taking place quite some time before the March actions, indicating that the action was not spontaneous....The high level of organization and the relatively long period of preparation for the outbreak of protest actions is illustrated by the [fact that] the provisional union issued notices signed by its leaders."⁹⁷

To this point the government has been largely successful in containing worker protests and isolating and repressing activists. As Sophie Beach observes:

Without independent unions or peasant associations to protect their interests, workers and villagers regularly stage public protests against corruption, unemployment and economic disparities that allow the rich to get richer while the poor frequently can't even get their paychecks. But when protesters point out the sources of their problems and demand democracy and legal protection of their rights, authorities are quick to crack down.⁹⁸

Indeed, China's increasingly bourgeois state has registered its concern with growing worker militancy by bolstering its judicial and coercive means of repression. In November 1999, the government "announced new rules for public gatherings, requiring assemblies larger than 200 to obtain approval from local public security authorities. Gatherings larger than 3000 will require the approval of security offices at a higher level."⁹⁹ Although ostensibly targeting new spiritual movements such as the Falun Gong group, there was no doubt that the new rules would be applied to worker-community protests. Indeed, "while few Western commentators seem to remember, the Communist regime is acutely aware that economic and labor grievances played an important role in the 1989 protests"; hence "the prospect of labor unrest worries China's Communist leaders the most."¹⁰⁰ The central government continues to arrest anyone who tries to form an independent labor organization, and just to make its intentions clear it "ordered cities across the country to augment their anti-riot police" in January 2001.¹⁰¹

Conclusion

As we have seen, China's economic reforms have generated serious economic imbalances as well as industrial growth. They have also largely destroyed the framework and institutional capacity necessary for creating a nationally integrated and responsive political economy.

Growing numbers of Chinese working people have paid a high price for their country's capitalist transformation, and many are beginning to demonstrate their determination and ability to defend their interests. The government's success in containing worker protests to this point does not change the fact that the ongoing capitalization of China's economy is likely to bring further deterioration of living and working conditions for many Chinese workers. Thus, new and perhaps even more organized opposition to state policies can be expected, with potentially serious implications for China's export-oriented, foreign-dependent economy.¹⁰²

It remains for progressives to decide how they want to relate to present and future working-class activism in China. However, insofar as they continue to celebrate China as a "socialist" or even progressive development success story, they will find themselves taking an increasingly reactionary position vis-à-vis both Chinese politics and worker-community struggles. As the Chinese experience makes clear, there has never been a greater need to strengthen the class-based critique of markets and market socialism, and return to a vision of socialism based on the power of the associated producers.

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4. Contradictions of China's Transformation: International

China has become a major regional and global economic force. It has not only recorded double-digit real GDP growth for most of the decade 1985–95, but also maintained rapid growth of over 7 percent per year during and after the 1997–98 East Asian crisis. According to Stephen Roach, chief economist for Morgan Stanley, “China’s growth rate is now strong enough to have accounted for 17.5 percent of the growth in world gross domestic product [in 2002]—second only to the growth contribution of the United States.”¹ By 2002, China’s shares of Asian GDP and exports stood at over 17 percent and 20 percent, respectively.² Some purchasing power estimates have China accounting for half of Asia’s GDP.³

Many progressive scholars and activists, mesmerized by the country’s rapid export-led growth, have declared China to be an economic success. Even more important, they have promoted China as a development model whose growth strategy can and should be emulated by other countries. We have argued, based on an analysis of China’s domestic economic dynamics, that this is a serious mistake, one that reflects a misunderstanding of the Chinese experience. In this chapter we reinforce our argument by showing how this embrace of “China as model” also reflects a misunderstanding of the contradictory logic of capitalism as an international system.

In fact, as we shall see, the nature and consequences of China’s rapid economic transformation cannot be fully grasped in isolation from the broader dynamics of global capitalism, especially uneven development and overproduction. Our analysis of these dynamics highlights the ways in which China’s economic growth has been enabled by, and in turn accentuated, the contradictions of capitalist development in other countries. In other words, China’s growth both reflects, and contributes to, capitalism’s limitation of development possibilities around the world. Thus, rather than offering a model of development that deserves our support, China’s growth strategy only heightens competitive pressures throughout the region to the detriment of workers and their communities.

Regional Contradictions of China's Transformation

As previously noted, China's growing regional economic dominance is due in large measure to its success in attracting FDI. As table 10 shows, net FDI flows into China have dwarfed those obtained by neighboring countries for the years 1997-2002. Indeed, except for China and Hong Kong, and a temporary uptick associated with post-crisis "vulture investments" in Thailand and South Korea, net FDI in the major East Asian economies either stagnated or was actually negative in the years following the 1997-98 crisis. As a result of these FDI trends, China is becoming the major export center in the region (excluding Japan).

Table 11 indicates that, apart from Indonesia (a significant oil exporter), China is the only country whose exports did not decrease in 2001, in response to recessions in external core markets, especially the United States. Notice also that the grand total of exports of the major East Asian economies has grown much more slowly since 1995 than previously, when the tendency was for exports to double every five years. In short, China is taking up a rising share of an increasingly stagnant total of regional exports.

Not only is China coming to dominate the region's exports, it is moving rapidly to transform the nature of its own exports. For example, in 1985, 49 percent of its exports were of primary products and resource-based manufactures. In 2000, the export share of these products had fallen to approximately 12 percent, with nonresource-based manufactures accounting for approximately 88 percent. The share of high-technology exports jumped from 3 percent to 22 percent over the same period.⁴

The rapid rise of China as a major exporter of electronics is highlighted by the results of a 2003 study by the Japan Electronic and Information Technology Industries Association. According to the study, China will be the largest electronics exporter in the world in 2003 with the highest market share in 8 out of 12 major export items. These include mobile phones, color TV sets, laptop computers, desktop PCs, PDAs (Personal Digital Assistants), DVD players, DVD drives, and car stereos. This represents a steady climb for China. It was number one in only two categories in 2000, three in 2001, and five in 2002. "Among the four items not dominated by China, Japan is expected to lead in digital cameras, and car navigators, Indonesia in VTRs [Video Tape Recorders], and Singapore in HDDs [Hard Disk Drives], respectively. However, China is likely to catch up with Indonesia and Singapore within two years as production of VTRs and HDDs is showing rapid growth."⁵

This transformation in exports has of course been powered by

foreign companies, as Stephen Roach points out:

For more than a decade, the vigor of Chinese export growth has come far more from the deliberate outsourcing strategies of western multinational companies than from the rapid growth of indigenous Chinese companies. From 1994 to mid-2003, China's exports tripled from \$121 bn to \$365 bn. It turns out that "foreign-invested enterprises"—Chinese subsidiaries of global multinationals and joint ventures with businesses from the industrialized world—account for fully 65 percent of the total increase in Chinese exports over that period.⁶

The dominance of foreign firms in China's high-tech exports is illustrative. In 1996, foreign affiliates accounted for 59 percent of these exports. They accounted for 74 percent in 1998, and 81 percent in 2000.⁷

Because of this transformation in exports, China now represents a very serious threat to the continued viability of the region's other export-led economies. For example, according to the Philippine economist Rene Ofreneo:

Today, even the more developed Asian economies such as Singapore are now feeling the pinch of competition by a fully awakened Chinese dragon, as the latter is slowly succeeding in developing depth and quality in industrial structure. Aside from low-priced labor-intensive products such as baby dresses, China is now producing more and more low-priced medium-tech products such as electrical appliances like televisions, washing machines, photocopiers, and electronic products such as computer peripherals, keyboards, disc drives, and desktop personal computers. Thus, for almost all the Southeast Asian economies, China is now seen as a competitor.⁸

The Bank for International Settlements offers a similar perspective:

China is already a major producer of labor-intensive manufactures. Moreover, as a result of its accession to the WTO, it is expected to capture a large share of the liberalized global market in textiles and apparel when the WTO Agreement on Textiles and Clothing expires in 2005. China thus poses major challenges for current producers of textiles and other labor intensive manufactures in Southeast Asia. In addition, the country has moved steadily up the value added chain, and its exports of machinery and high-tech products have increased rapidly. China's share in Asia's total electronics exports has more than doubled during the past five years to 30% in 2002. In contrast, the shares of Malaysia and Singapore have fallen off sharply. Anecdotal accounts also suggest that production facilities in high-tech sectors are being relocated to China from emerging East Asia as well as Japan.⁹

The overarching explanation for China's regional dominance is that it has become the most attractive platform for East Asia's export assault on the U.S. market. Foreign firms operating in China "run a trade surplus primarily with the United States and deficits with the East and Southeast Asian economies. This suggests that FDI from investors in East Asia uses China as an export platform for the Western markets, and that their home countries provide the inputs needed in such operations."¹⁰

Table 12 highlights this development, revealing China's increasing overall share of the region's exports to the United States. Here again, the tendency is for China to take up a growing share of a more slowly growing regional export total. Table 13 shows that the rising share of China's exports destined for the United States has corresponded to a somewhat reduced reliance on the U.S. market by most of the other major East Asian exporters. Table 14 provides a broader perspective on the same shifts. Generally speaking, the declining share of China's exports to Asia compared to extra-regional core markets finds its mirror image in the trends for other East Asian countries.

While progressive supporters of China have tended to sidestep the question of whether China's growth represents a threat to the economic health of other countries in the region, neoliberal analysts have generally been more forthright. Most have argued that despite the FDI and export trends highlighted above, China's rise actually represents an opportunity rather than a threat for the other economies in the region. After all, they claim, this is not the first time that the region has had a significant restructuring of production relations, and earlier restructuring episodes ushered in the now legendary growth miracles of Japan, the four "little tigers" (South Korea, Taiwan, Singapore, and Hong Kong), and the most recent export-led growth miracles of the so-called ASEAN [Association of Southeast Asian Nations]-3—Malaysia, Indonesia, and Thailand.

Indeed, it is argued that the large absolute size of the Chinese economy and the fact that China's exports are import dependent make China's growth an increasingly powerful regional economic locomotive. Realization of this potential requires only that East Asian countries respond to the new opportunities by restructuring their own production activity accordingly. This means removing all barriers to the free movement of money, commodity, and productive capital among the region's countries (and similarly deregulating the internal workings of each country's economy) so that transnational capital can establish a more "efficient," i.e., profit maximizing, regional division of labor. Only if the different countries of the

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region fail to do this will China pose a threat rather than an opportunity.

Along these lines, Ramkishan Rajan dismisses the “growing fears that Southeast Asia is ‘losing out’ in the intense competition for FDI inflows to China,” together with the “export pessimism that has been voiced by a number of regional observers and policy makers,” as simple “fallacies of composition”:

To be sure, with the major improvements in transportation, coordination and communication technologies, globalization provides vastly increased opportunities for the fragmentation of previously integrated goods and services into their constituent [productive activities] which in turn may be spread across counties on the basis of comparative advantage. The importance of such “production sharing” is that it suggests that openness, by expanding opportunities for international specialization and trade, will be beneficial to all parties involved....Seen through the lense of production-sharing, the cost effectiveness of the PRC ought to benefit all countries that are part of the production network.¹¹

Similarly, in arguing that China’s “emergence...presents as many opportunities as threats to East Asian policy makers,” Asian Development Bank economist David Roland-Holst forecasts that China’s “long-term trajectory will make it a prominent importer in East Asia” as well as a formidable export competitor.¹² For “individual East Asian economies,” China’s growing regional and global economic presence requires that “they adapt to more open multilateralism, regionally or globally joining efforts to reduce barriers to trade. Only in this way can they avoid crowding out from their established export markets and fully capture new export opportunities...represented mainly by PRC, directly in terms of its burgeoning domestic demand, and indirectly as it absorbs intermediate goods to meet export demand from the Rest of the World.”¹³

The potential developmental synergies from the combination of China’s emergence and regional integration form the basis of neoliberal optimism about the prospective incorporation of China into the ASEAN Free Trade Area (AFTA) by 2010, for which an agreement in principle was reached at the November 2002 ASEAN meetings. The resulting ASEAN-China Free Trade Area (ACFTA) will, according to Thai economist Suthiphand Chirathivat, “lower costs, increase intra-regional trade and increase economic efficiency,” which will in turn “boost real income in both regions as resources flow to sectors where they can be more efficiently and productively utilized.”¹⁴ Another Thai economist employed by the ASEAN Secretariat appeals to “the well-known flying geese pattern

of collective development" to argue that the ACFTA will yield "good commercial returns in support of income growth, structural transformation and modernization, poverty alleviation, and social advancement across the region":

The pattern itself is conditioned and facilitated: firstly, by the mutual liberalization of trade and investment, and the associated standardization and simplification of procedures and regulations,...secondly, by the mutual transformation, diversification, and upgrading of sectors, industries, and enterprises among the independent economies and enterprises concerned; thirdly, by the collaborative establishment and deepening of various cross-border linkages and inter-firm partnering; and lastly, by the formation of a common position in commercial diplomacy and in negotiating fora within and outside the region.¹⁵

However, such neoliberal "win-win" scenarios are far too rosy for several reasons. Most generally, they bypass the class dimension of capitalist development as well as the inherently uneven and unequal development of the global division of labor insofar as it is shaped by the needs of competing transnational capitals. As a result, neoliberal perspectives ignore that the previous growth miracles and economic restructurings occurring in East Asia (starting with Japan in the 1950s) were themselves fraught with instability and crises, were hardly pure positive-sum developments from the standpoint of the regional and world economies as a whole, and came at an extremely high cost for working people even in the "miracle" countries themselves.¹⁶

More specifically, the connection between the development impasses faced by East and Southeast Asian countries and their ongoing dependence on FDI and exports (this is after all the key reason why China poses such a threat to them) is left unaddressed. Indeed, the suggested adjustment to China's new role in transnational capitalist production chains implies that the region's economies will become even more FDI- and export-oriented. Given that the 1997-98 regional crisis was due in large measure to regional overproduction of exports and the drying up of FDI inflows (and the accompanying cycle of speculative finance) this development can only further unbalance the region's economies.¹⁷

In this connection, neoliberals fail to give adequate weight to the dangers involved in the region's ever increasing dependence on external markets, highlighted by the size of the U.S. trade deficit and growing imbalances in the U.S. economy, as well as ongoing stagnation in Europe. Equally problematic, the neoliberal scenario sees the region's growth prospects being tied more closely to the

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health and stability of a China-based export system directed at the United States. However, the health and stability of the Chinese economy is increasingly being threatened by ever larger fiscal deficits and financial imbalances, deflation, and rising social costs and resistance.¹⁸

Moreover, the neoliberal "win-win" scenario simply assumes that the countries of the region all have the capability to restructure their industries in line with the dictates of transnational capital or, what amounts to the same thing, relegates those unable or unwilling to have their policies dictated in this way to the list of development "failures" to be contrasted with the ever-changing (and, it seems, ever-shortening) list of neoliberal poster countries. It also ignores (or simply takes as an inevitable fact of life to which "there is no alternative") that attempts to re-attract FDI in the face of competition from China can only mean new state efforts to intensify the exploitation of workers and the environment.

4. National Experiences

In what follows we examine the likely effects of China's new role on some of East Asia's main economies. This examination makes clear that the foreign-driven rise of China as an export powerhouse will only intensify economic tensions and contradictions throughout the region, to the detriment of workers everywhere. This reality offers yet additional powerful evidence of why China should not be thought of as offering a model of development deserving our support. Said differently, China's rise cannot be understood in isolation from its negative effect on other countries in the region and the world. To celebrate China, to see its strategy as a model, is therefore to be blinded to the uneven and combined process of development that marks capitalism as a world system.

Southeast Asia

China's rise is probably most threatening to the ASEAN-4, which includes Indonesia, Thailand, Malaysia, and Singapore. While China's export growth pulls in inputs from throughout the region, including from these countries, the resulting gains can be expected to be of limited value in terms of relaunching these countries onto a new growth trajectory. There are two main reasons for this: first, their exports to China are concentrated in only a few product lines, which in many cases will not contribute to any broad-based industrialization program. Second, these export gains will be far outweighed by losses in existing export markets due to China's own export production.¹⁹ As a result, their forced restructuring will likely lead to a further industrial narrowing and disarticulation,

with profoundly negative effects for their respective workers.

Most analysts agree that China's changing export profile represents a serious threat to the future export competitiveness of most Southeast Asian countries. According to Chia Siow Yue, senior research fellow at the Singapore Institute of International Affairs, the export overlap between China and Indonesia is 83 percent and the overlap between China and Singapore is 38 percent.²⁰ The World Bank takes much the same position: "The correlation of exports, even at the five-digit (SITC) level between China and middle-income countries such as Indonesia and Thailand is significant and has been increasing."²¹ This threat to Indonesian and Thai exports

is confirmed by a market-by-market and product-by-product analysis for sample countries. For this analysis we identify "exports at risk" to the U.S. and Japan markets based on their importance to the exporting country and the extent to which they compete with similar products from China. Exports in product categories that are characterized by both a high share of Chinese imports (at least 5 percent) and unit values close to those of competing imports from China are deemed to be most at risk. For Thailand and Indonesia, the results show that 15-25 percent of exports to the United States and Japan are at risk from growing competition from China.²²

The garment and textile industries are especially at risk. Malaysia, Thailand, Indonesia, and the Philippines are all expected to lose market share in the U.S. and West European markets when quotas on Chinese textiles and apparel exports are lifted. One estimate is that China's exports of apparel can be expected to grow by 330 percent over a ten year period now that it is a member of the WTO. China's share would then be over 44 percent of the world total.²³

China's growth is pulling in imports from these countries, but these imports cannot easily compensate for their loss of export markets. In the case of Indonesia, for example, its exports to China are heavily concentrated in primary commodities such as processed oil, rubber, palm and timber. The World Bank, ever optimistic, argues that Indonesia can, if it liberalizes its economy, take advantage of new opportunities structured by China's ongoing economic transformation to ensure the further development of its own industrial sector. For example:

Opportunities exist for Indonesia to participate in global production networks—cosmetics, machinery, and audiovisual equipment, for example—in which FDI may expand in China and Indonesia simultaneously. And, like other ASEAN middle-income countries, Indonesia has the potential to develop its role as a

supplier of specific parts to an automobile production network, given the restructuring of the industry now taking place in the region....Indonesia will need to tailor its strategy to grasp the opportunities for increases in trade and investment flows if it is to offset the declines that are projected in its exports to the United States, Japan, and the EU. Key elements will be measures to restore investor confidence and increase competitiveness. Indonesia will need to avoid protecting its domestic producers with excessive safeguard measures so as to facilitate an adjustment in the manufacturing sector that responds to the opportunities in China's markets. Measures like the recently introduced temporary safeguards against garment imports, for example, will only prolong the adjustments that Indonesia needs to make to realize its regional comparative advantages.²⁴

However, based on existing trends, it seems doubtful that Indonesia will attract the foreign investment it needs to achieve the recommended product specialization. "Foreign investment approvals for the first nine months of the year [2003] totaled just \$6.1 billion, a 3.7% increase over the same period in 2002 but a far cry from pre-crisis levels in the mid-1990s."²⁵ Indeed, with "parts of the labor-intensive manufacturing sector...relocating to lower-cost competitors like Vietnam and China," *net* FDI inflows have become increasingly negative (see table 10).²⁶

Broadly speaking, Thailand's economic situation is similar to Indonesia's. Its trade opportunities with China are heavily oriented toward agricultural products such as oilseeds, sugar, wood products and cotton. And as its manufactures get squeezed out of third markets, it will be forced to adjust its industrial structure if it wants to sustain its manufacturing base. The World Bank's advice is accordingly as follows:

The extent to which Thailand will exit from assembly-type production or upgrade its capabilities will depend largely on the policies it pursues—either embracing trade-induced competitiveness and productivity gains, or submitting to short-term protectionist pressures; manufacturers already are complaining about low-cost imports of electrical appliances and motorbikes from China. Also important are supply factors, including local availability of engineering and sourcing capabilities, as are government incentives for upgrading technology.²⁷

Again, the World Bank advocates for a further deregulation and denationalization of the economy, in the belief that new foreign initiatives can produce the desired restructuring. This strategy would, of course, tie Thailand ever more tightly into a foreign-dominated export-led growth strategy with China as a geographical focal point.

The Malaysian economy is more developed than those of Indonesia and Thailand, but it also faces a serious challenge. Malaysia's export profile has already shifted from textiles and apparel to the electrical machinery sector, so China's predicted growth in textiles and apparel is not so damaging. Electrical machinery exports grew from 9.9 percent of Malaysia's exports in 1980, to 26.6 percent in 1990, and 33.6 percent in 1996. But, the share of electrical machinery exports in China's trade almost doubled over the period 1990-96, to 12.3 percent. Its share has grown substantially since then.²⁸

Thus, China's continuing export transformation now threatens one of Malaysia's leading export sectors. Although the disappearance of 16,000 jobs from the country's electronics production hub in Penang state in 2001 was partly due to the U.S. recession, the fact is that "new investment has dwindled as companies expand in China instead."²⁹ Referring to the 39 percent (seasonally adjusted) decline in Malaysia's electronics exports in the third quarter of 2003 (following a 14.5 percent drop in the previous quarter), the *Far Eastern Economic Review* observes: "The numbers confirm one disturbing fact: The relocation of electronics companies, which produce personal computers, cell phones and routers, from Malaysia to more cost-competitive production centers, particularly China, is starting to take its toll."³⁰

Of particular concern is the possible loss of Japanese electronics FDI, which has been crucial to the development of Malaysia's exporting capabilities. As one regional analyst summarizes the situation:

For the computer and electronics sub-sector that constitute the major manufacture export of Malaysia, the labor-intensive portion of this product group will also be affected negatively. On the other hand, the future of high technology exports from Malaysia that utilize skilled labor will depend on the future of foreign direct investment, given the dependency for FDI in this sub-sector....In 1998, based on companies in production, Japanese Direct Investment (JDI) in Malaysia in the electrical and electronics sub-sectors amounted to RM 4408 million and accounted for 57 percent of total JDI in this country. In contrast, American FDI in the same sub-sector for the same year in Malaysia amounted to only RM 770 million and accounted for 35 percent of total American FDI in this country. FDI from Japan comprised of 56 percent total foreign investment in the electrical and electronics sub-sector in 1998 while the United States is the third largest investor with a share of 9.8 percent. Consequently the future of high technology exports depends on the future of JDI in this sub-sector.³¹

More broadly, it was Japanese-led regional FDI that helped to promote the rapid growth and industrialization not only of Malaysia but also of Thailand and Indonesia. Japanese firms now appear determined to reorient their regional production base toward China. This shift means that the underlying framework for the Southeast Asian growth strategies has been gravely weakened if not shattered. Although neoliberals argue that the ASEAN countries can counter this problem by technologically upgrading their production into higher value-added products, China itself "is now starting to sell more sophisticated goods to American consumers, like computers and DVDs."³²

The intensifying competition from China is even being felt by technologically sophisticated Singapore. In fact, among ASEAN countries, Singapore was hardest hit by the rise of China as an export powerhouse. A report by J. P. Morgan cites the electronics industry as the sector where Singapore suffered the most, despite it being a higher value-added producer than China. "As electronics firms relocated to China and established clusters in North Asia," it says, "Singapore's regional status in the electronics chain was eroded." In other words just having a more sophisticated production base does not guarantee security. From 1997 to 2002, China's share of Asia's electronics exports (excluding Japan) rose from 14.3 to 30.1 percent. While most countries, including Thailand and Malaysia, suffered small declines, Singapore's share fell substantially from 19.3 to 9.8 percent.³³

Given the presumed absence of any alternative to development through participation in transnational capitalist production chains, one can understand the increasingly desperate efforts of the ASEAN countries to accelerate their economic integration in order to attract the FDI needed to reinvigorate exports and growth. Hence, in the run-up to the October 2003 ASEAN meetings, all the talk concerned how, "facing competition from China...Asean is being forced to confront its failure to realize a long-held goal: integration into a single market that is attractive to foreign investors."³⁴ The sudden urgency to accept the PRC's offer to establish an ASEAN-China Free Trade Area should be seen in this light. While Rajan argues that "an immediate...side effect of the ACFTA proposal is that it appears to have provided an impetus for Southeast Asian countries to hasten the process of intra-ASEAN integration," the converse is undoubtedly also true.³⁵

In contrast to the optimistic notions of neoliberal industrial restructuring theorists, some analysts argue that the ASEAN countries should just accept the reality of China's dominance in manufacturing and focus their development efforts on natural

resources and tourism. "That's a more realistic option, if you ask me, than to keep saying we are going to compete with China in manufacturing at the high end, because China is moving fast into the high end as well," said Toh Kin Woon, the Penang state executive councilor for economic planning.³⁶ Similarly, after surveying China's competitive threat across the industries that drove the ASEAN growth "miracles," two economists from the National University of Singapore suggest:

China's emergence as a global manufacturing center has apparently resulted in most ASEAN economies experiencing a severe hollowing-out of their industries....[This] underscores the need for ASEAN to accelerate structural domestic reform and will compel ASEAN economies to base their future economic growth on their true comparative advantage. To meet the challenges posed by China, ASEAN countries will need to specialize in what they produce and develop strengths and core competencies in agriculture, natural resources and services such as tourism.³⁷

The developmental limitations of the resource/tourism strategy are painfully obvious, however. For example:

Daniel Lian, an economist with Morgan Stanley in Singapore, has his doubts. In 2002, manufactured exports from Malaysia, Singapore, Thailand, Indonesia and the Philippines accounted for 54 percent of the five countries' combined gross domestic product of \$566 billion....Lian estimates that \$90 billion of these exports, or 30 percent of the total, will be lost to China within a decade, while annual receipts from a Chinese-fueled tourism boom cannot realistically exceed \$20 billion to \$25 billion...."Tourism cannot replace manufacturing," he said in a report.³⁸

In sum, it is hard to see how China's new role in the regional economy can possibly support a positive process of economic development for Southeast Asian countries. Growth will remain export oriented and foreign dependent. And it will be shaped ever more strongly by regional and international forces that are further removed from, and less likely to transfer any lasting benefits to, the workers of these countries. In fact, given their desperation to remain attractive to foreign investment, one can expect that the above highlighted Southeast Asian governments will continue to sacrifice the living and working conditions of their respective workers on the altar of competitiveness.

South Korea

South Korea has a far more established and nationally rooted industrial base than the ASEAN countries examined above. And, most mainstream analysts see South Korea as a major beneficiary of

China's new growth strategy. Indeed, South Korea has been very aggressive in tapping the China market. "According to a report by the Korea Trade-Investment Promotion Agency, which compared the advancement of Korea, Taiwan and Japan into the Chinese market, Korea's exports in the last 10 years [from 1992 to 2002] grew 530 percent, compared to Taiwan's 290 percent and Japan's 230 percent."³⁹ As a result, South Korea increased its market share from 5.16 percent of China's imports to 9.68 percent.⁴⁰

In 2002, China became South Korea's largest trading partner in Asia, replacing Japan. China is close to replacing the United States as South Korea's number one export market. Moreover, South Korea has run a trade surplus with China every year since 1992. China has also become the number one location for South Korean FDI, accounting for 40 percent of South Korea's outward FDI as of the first quarter of 2003, compared with 28 percent for the United States.⁴¹

However, this growing connection to China has a serious downside for the long-term health of the South Korean economy, which has, in fact, been struggling. One important reason is that the FDI that provided needed foreign exchange after the 1997-98 crisis has largely dried up. FDI inflows fell from \$15.2 billion in 2000, to \$9.1 billion in 2002, and further to \$2.7 billion in the first half of 2003.⁴² To a large extent this decline is the result of two factors. First, foreign investors took advantage of the South Korean crisis to buy up South Korean assets, and are now largely finished doing that. Second, China presents a more attractive location for new FDI than does South Korea.

Desperate to reverse this downward trend, the South Korean government is proposing special FDI incentives that will lead not only to the further fragmentation and foreign domination of the South Korean economy, but to repression of worker rights. For example, the government has asked the National Assembly to approve the creation of several special economic zones to make South Korea the "business hub of East Asia." Foreign businesses that operate within these zones would enjoy tax breaks as well as exemptions from various environmental and labor regulations. Foreign enterprises would also be given the sole authority to build and operate educational and health institutions, which could serve not only the foreign residents of the zones but also South Koreans. In addition, the government is prepared to offer foreign high-tech investors a cash grant equal to 20 percent of the value of their total investment.⁴³

A member of the president's planning commission noted that "Britain, Ireland and China, for instance, are offering generous cash

grants to foreign investors, with the specific ratio determined by a detailed analysis of the investment plan." For these reasons, he added, "The Korean government is also planning to adopt a similar incentive system for foreign investors, particularly in the fields of state-of-the-art technologies."⁴⁴

But South Korea is not only losing its battle to attract FDI, it is also facing a major capital flight by South Korean firms. As the *Korea Herald* explains:

Korean industries are moving overseas faster than firms in other advanced economies, and the so-called industrial hollowing out will likely become a serious problem by 2007, Korea's leading business organization argued yesterday....According to a report by the Federation of Korean Industries, a lobby group for the nation's business conglomerates, or chaebol, the balance of Korea's overseas direct investment accounted for 5.8 percent of its nominal gross domestic product as of the end of 2000, reaching almost the same level of Japan, whose gross national income per capita was four times as high as that of Korea....If the trend of rapid industrial emigration continues, the ratio of the balance of Korea's overseas direct investment to gross domestic output will rise to 9.7 percent in 2007, and the percentage of manufacturing of total GDP will fall sharply, raising serious concerns about industrial hollowing out, the organization argued....Industrial migration, which in the past took place mostly in light industries such as shoe-making and apparel industries, is rapidly spreading to other sectors, including the electronics, telecommunications, metal and machinery industries, it noted.⁴⁵

South Korean business leaders argue that they are being driven to leave by the high cost and combative nature of workers in South Korea. They are demanding that the South Korean government take action to weaken unions and support their efforts to lower wages and working conditions.⁴⁶ And, they claim that if the government does not meet their demands they will continue to move their production "across the Yellow Sea to China, where wages are lower and the demands of workers rarely result in headaches for managers."⁴⁷

This is no idle threat. For example, Samsung Electronics, LG Electronics, and Daewoo Electronics already make more than half of their consumer durables in factories outside of Korea, many of which are in China.⁴⁸ Samsung Electronics announced in September 2003 that it was moving its entire PC-making business to China.⁴⁹

This shift in production to China may well enhance the profitability of South Korean multinational corporations. It is unlikely, however, to strengthen the South Korean economy. It will certainly make it harder for South Korean workers to secure and

defend their rights to livable jobs and wages.

China's new economic strategy poses a danger to the South Korean economy in yet another way. The South Korean economy has long been highly dependent on exports, and has become even more so since the 1997-98 crisis. To this point, South Korea has succeeded in running a trade surplus with China. Some argue that this trade surplus will grow even larger as South Korean investment in China encourages new exports through intra-firm trade channels. In reality, however, any such gains are likely to soon be outweighed by export losses resulting from China's production and export of goods that South Korea currently exports to China and third countries.

While China and South Korea initially enjoyed a complementary trading relationship, the two countries are now trading almost equally in a number of areas, including steel and petrochemicals. A case in point:

Exports of heavy industry goods to Korea accounted for 1 percent of China's overall exports in 1992, but now account for 47 percent. China is Korea's second largest source of steel imports, but also its number one market for steel and petrochemicals. Korea retains an advantage in information technology—16 percent of all Korean exports to China—but appears to be losing ground in textiles. According to KITA [the Korean International Trade Association], China is Korea's largest source of textile imports.⁵⁰

According to the Korea Economic Institute, a South Korean government supported, U.S.-based research institute, "Within the next decade, Chinese firms are expected to out-compete Korean producers of low-end electronics equipment at home and abroad. Institutes and business organizations already report drops in domestic sales of Korean home appliance products."⁵¹ Studies by private and state research institutes in Korea raise the same warning, that "China's export competitiveness was in some cases greater than that of Korea in sectors such as machinery, electronics/home appliances, textiles, and some information products. Studies also considered the implications for Korea of China's WTO entry, and not surprisingly predicted that China would attract FDI away from Korea and increase its competitiveness and global market share in agriculture and home appliances."⁵²

China's efforts to protect its foreign-based producers represent another threat to South Korean exports. For example:

China in recent years has resorted to applying antidumping duties to Korean imports to stem dumping and an increase in competition from Korean firms. During 2002, its first year in the WTO, China initiated a significant number of dumping investigations of Korean

products. China has restricted or has threatened to restrict a number of Korea's top exports—polyester staple fiber, textiles (coated art paper), and steel. The MOCIE [Ministry of Commerce, Industry and Energy] report on Korea's export competitiveness in China reveals a correlation between an increase in the number of such dumping investigations of Korean imports to a rise in China of the competitiveness of foreign manufacturers of the same products.⁵³

In sum, China's economic transformation poses a serious challenge to South Korea's economy. China is increasingly attracting South Korean investment and producing products that are likely to compete favorably with South Korean exports in home and third-country markets. Mainstream economists argue that South Korea can avoid the resulting premature hollowing out of its economy by relying on market forces to encourage technological upgrading to higher value added exports. This, of course, means that South Korea must attract substantial new foreign investment, something that the country has failed to achieve despite government attempts to weaken the trade union movement.

The most likely outcome of current regional and international dynamics is that the South Korean economy will become more narrowly export focused and tied to China's economic future. This will leave it more unbalanced and unstable, and far less able to support any broad-based improvement in living and working conditions for the great majority of South Korean workers.

Japan

According to the World Bank, Japan should be one of Asia's biggest beneficiaries from China's growing export success and membership in the WTO.⁵⁴ Chinese-Japanese trade is growing rapidly, topping \$100 billion for the first time in 2002. Japanese exports to China soared 28.2 percent to \$39.9 billion in 2002. China is now the second biggest market for Japanese exports, behind the United States. China is also the world's largest exporter to Japan, having overtaken the United States in 2002, when its exports to Japan reached \$61.7 billion.⁵⁵ Predictions are that trade between the two countries will continue to rise at a rapid pace for the next few years.

China's growth is currently creating opportunities for the Japanese economy for two main reasons. First, "for the moment," the Chinese and Japanese economies "are roughly complementary. China specializes in labor-intensive products and Japan excels in high-technology goods that require capital and design expertise."⁵⁶ As a result, "the areas of head-to-head industrial competition are

still relatively few—around 16 percent. In 2002, China accounted for only 17.8 percent of Japan's total imports, or approximately 1.3 percent of Japan's GDP."⁵⁷

Second, "Japan is a big capital goods exporter, and there is a capital spending boom going on in China."⁵⁸ "Orders from China are a big part of the resurgence in demand for the materials, capital equipment and [high-end] consumer electronics that Japan still produces better than anyone else does."⁵⁹ These orders have assisted the (still hesitant) recovery of the Japanese economy from the 2001 recession.

Unfortunately, ongoing trade and investment dynamics are working to ensure that it is only the dominant Japanese firms, and not the majority of Japanese working people, that will actually benefit from the developing division of labor between China and Japan. The range of products (and employment opportunities) in which Japan has a competitive advantage over China is rapidly narrowing. "China is no longer just about vast pools of cheap labor, it is increasingly about the combination of that with skilled human capital."⁶⁰ Even more important, a growing percentage of the products exported from China to Japan are produced with Japanese components and/or by Japanese firms operating in China. Japanese capital has, in fact, established a major industrial presence in China, and this presence is growing rapidly. Already, by 2000, Japan had 772 production facilities in China, compared with only 692 in the United States.⁶¹ "As of 2001, Japan [had] invested \$32.3 billion in China, not counting Hong Kong and Macao, making it the second-largest investor in mainland China after the United States."⁶²

Although this foreign investment dynamic is currently helping boost Japan's exports of capital goods and components to China, this boost is largely a temporary "set-up effect" that will, from the standpoint of the Japanese economy as opposed to Japanese capital, eventually be more than offset by the loss of export markets and intensified import competition. The Japanese economy experienced two similar short-term recoveries from its stagnation, first after the high-yen crisis of 1985 and again in the years just prior to the 1997-98 East Asian crisis, both buoyed by exports of capital goods and components to offshore export platforms in Southeast Asia (as well as to the United States, where Japanese auto firms in particular were setting up new production facilities).⁶³ Like these earlier two episodes, the construction of a new export platform in China is likely to leave the Japanese economy with a narrower range of internationally competitive goods-producing sectors capable of generating decent job opportunities.

Indeed, the shift of Japanese production to China and

neighboring countries was an important determinant of the drop in Japanese manufacturing employment from 15.7 million in 1992 to 14.6 million in 1995, and to 13 million in 2001.⁶⁴ Both this trend of job loss and China's central role in it are expected to continue, as the *New York Times* explains:

[In spring 2001], Toshiba Corp. stopped making television sets in Japan, turning to its factories in China to supply the home market. Soon after, Minolta Co. announced that it was phasing out camera production in Japan and would import from Shanghai instead.... Just last month, like falling dominoes, several other Japanese manufacturers announced plans to import bicycles, motorcycles, buses and cell phones from their Chinese factories.... "We look at China as the most important growth market," said Yukio Shotoku, overseas managing director for Matsushita Electric Works Ltd. His company is closing 11 factories and pushing 8,000 workers into early retirement in Japan, whose labor costs he described as "the biggest headache...." In the last decade, Japanese investment in China has doubled, to the point where more than half of China-Japan trade is conducted among Japanese companies.⁶⁵

And as China's economic restructuring continues, additional sectors of the Japanese economy are likely to be regionalized. For example, Japan's automobile industry is expected to undergo a major transformation, as Japanese producers reorganize their production system to incorporate China. "Under WTO rules, China's tariffs on automobiles will be slashed 25 percent by 2006 and import restrictions will be ended. For this reason, the Japanese auto industry is also now moving aggressively into China, where, in addition to access for that longer-term domestic Chinese auto market, it can save 10 to 20 percent on manufacturing costs for its exports."⁶⁶ The World Bank predicts that one result of this move will be a major contraction of automobile production in Japan.⁶⁷

Japanese workers obviously cannot compete against Chinese production, when "a Chinese factory worker, just a short freighter trip away... will work two days for the same pay that some Japanese workers earn in one hour."⁶⁸ And the further regionalization of Japanese production can be expected to leave the economy even more export oriented and unbalanced and intensify existing Japanese employment and wage problems.⁶⁹

Just as with earlier restructuring episodes in the 1970s, '80s, and '90s, the movement of Japanese industrial capital to China will not even reduce Japan's dependence on extra-regional markets—especially the United States. Rather, with China's exports (like those of the four "little tigers" and the ASEAN-3 before it) increasingly reliant on the U.S. market, Japan's export-base, insofar

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as it is oriented toward China, will still grow or shrink in line with U.S. demand for imports. Japan's growth will thus remain susceptible to cyclical fluctuations of the U.S. economy as well as to long-run problems (including protectionist pressures) stemming from the unsustainability of the massive U.S. trade deficit.

North America

We have focused on regional developments because analysts favorable to the Chinese model argue that China can serve as the new locomotive to reenergize East Asian growth. In debunking this notion we could have easily extended our analysis to show how China's emergence as an export-platform for transnational capital generates new tensions for workers elsewhere, including in North America.

For example, China has been greatly increasing its market share in the United States at the expense of Mexico. According to *Business Week*:

Right now, Mexico is the No. 2 exporter to the U.S. after Canada. But barring a huge SARS-related setback, China will wrest away that title sometime this year [2003]....That is a devastating reversal of fortune for a country that for the past decade has enjoyed privileged access to the world's biggest market under the North American Free Trade Agreement. "We're in trouble. China is growing so fast. They have cheap labor, and they give companies a lot of incentives to invest there," says Oscar Garcia, manager of the Melco Display Devices plant in Mexicali. The factory, which is owned by Japan's Mitsubishi Corp. and churns out cathode-ray tubes used in computer monitors, will close at the end of July. That's because it can no longer compete with lower-priced Chinese production.⁷⁰

Employment in the *maquiladora* industry in 2003 was down nearly 20 percent from its 2000 peak of 1.4 million.⁷¹ This drop was only partly due to the U.S. recession: while Mexican exports to the United States showed virtually zero growth in 2002, China's grew by 20 percent.⁷² An equally, if not more important explanation, is that growing numbers of *maquiladora* producers are shifting their production to China. Among other things, they are in search of even cheaper wages: "An assembly-line worker in Guadalajara earns \$2.50 to \$3.50 an hour; his counterpart in Guangdong makes 50 cents to 80 cents."⁷³

"Mexico has nearly lost the battle on low-skilled, labor-intensive industries, where it simply cannot compete with China on labor costs and will likely continue losing market share," says Merrill Lynch.⁷⁴ The Mexican government now seeks to stop the bleeding by

creating even more profitable conditions for foreign production, and largely at the expense of workers.⁷⁵ In sum, Mexico's own foreign-dominated, export-led growth strategy is now in crisis, in large part because developments in China created conditions that were even more attractive to foreign capital.

Workers in the United States also are struggling to defend themselves against competitive pressures generated by the Chinese growth strategy. The U.S. trade deficit with China reached \$103 billion in 2002, with U.S. exports equal to just \$22 billion and Chinese exports equal to \$125 billion. "The numbers are eye-opening. Chinese exports soared 22 percent [in 2002]. And it is not just low-cost towels. Exports of computer and telecom products are growing 60 percent annually."⁷⁶

The growth of manufacturing FDI in China has, as we have seen, transformed the nature of Chinese exports. China's exports to the United States are increasingly of a kind that threatens even higher-waged workers.⁷⁷ "Although in 1989 only 30% of imports from China competed against goods produced by high-wage industries in the U.S. market, by 1999 that percentage had risen to 50%."⁷⁸ One result is that "manufacturing businesses from electronics to furniture and fishing lures are closing their doors or moving production to China."⁷⁹

A major reason that China now runs the largest trade surplus of any country with the United States is that many Asian producers who used to export to the United States from other countries in Asia are now producing and exporting from China. Of course, U.S. corporations are also taking advantage of opportunities in China, greatly increasing their investments there. As the *Financial Times* observes: "While many small enterprises and textile manufacturers are suffering from competition with China, large U.S. companies such as GM, GE, DuPont, and Yum Brands, which includes KFC, are thriving on the mainland."⁸⁰ In many cases, this investment directly adds to the growing U.S. trade deficit with China. "Over the course of a few years, U.S. multinationals operating in China have turned from net exporters to China to net exporters to the United States, a gap that will only widen with increased FDI to China, further contributing to the growing United States trade deficit."⁸¹ This helps explain why the U.S. trade deficit with China has continued to grow despite the more rapid growth of the Chinese economy compared to the United States.⁸²

Although profitable for some of the largest American companies, the economic transformation of China and its export successes are far from positive for working people and economic security and stability in the United States. They have contributed to the

destruction of U.S. manufacturing production and jobs, the decline in U.S. living and working conditions, and greater economic imbalance and instability in the United States and world economy.

The Bankruptcy of Mainstream Reform Proposals

Capitalism's inability to provide alternatives to the competitive race to the bottom generated by export-led growth is highlighted by the strategic proposals made by the few mainstream economists who recognize the international contradictions created by China's export success. Consider the explanation of Pierre Goad, a *Business Week* columnist, as to "why China doesn't really have any choice but to adopt a consumer-led model":

It's simply too big to copy the export-led model of its neighbors. South Korea's 47 million people exported \$31.2 billion worth of goods to the U.S. last year [1999]. If Chinese exports per worker reached Korean levels, China would have exported \$837 billion of goods to the U.S. last year—or 83% of worldwide exports to the U.S. That's not going to happen.⁸³

Goad's observation is a sound one, but his projection of a new "consumer-led" growth path is contradicted by China's growing dependence on exports. And Goad does not explain how mass consumption can possibly take up the slack created by a reversal of these export trends, given the accelerating inequality of income distribution generated by China's capitalist transformation which erodes the basis for a mass working-class market.

Indeed, with the purchasing power of the majority of rural people stagnating, with intensified exploitation and repression of industrial workers, and with the plunder of state assets by the new capitalist class and its Chinese Communist Party allies, the country's household income inequality now exceeds that of India and Indonesia and rivals that of Brazil and South Africa.⁸⁴ As the *New York Times* reports, "Some corporate leaders remain skeptical that spending on cell phones and other consumer items can move much higher in an economy where industrial workers still count themselves lucky if they earn more than \$200 a month. 'As long as the wages are so low, it will be difficult to increase consumption,' says Hans-Jorg Bullinger, the president of Fraunhofer-Gesellschaft, a big German contract research company."⁸⁵

A more basic problem with capitalist consumption-led growth proposals is their presumption that problems of overproduction and export-dependency reflect simple policy errors or misguided forecasts on the part of firms, rather than the fundamental laws of motion of competitive capital accumulation. Mainstream analysts do not even pause to reflect on the *coexistence* of overproduction (as

reflected in deflation and burgeoning excess capacity, especially in consumer durables industries) and the rising export-intensity of China's growth as a possible symptom of some deeper malfunction, especially given the *coterminous* rise of inequality. In reality, as China's experience so powerfully demonstrates, overproduction and export-dependency are twin outcomes of capitalism's tendency to develop productive forces only in and through the exploitation of labor and its natural and social conditions, a process that constrains the growth of the mass market relative to productive capacity.

From this perspective, the likely outcome of any "consumer-led" strategy within China's capitalist transformation will not be a balanced and sustainable growth path, but rather the *overlaying* of consumer goods production for the capitalist and petit bourgeois elite onto the continued reliance on FDI and exports as the fundamental engines of growth—a pattern that will continue to place downward pressures on the majority's work and living conditions in both China and the nations that compete with it. The Chinese government may keep trying to ameliorate the overproduction tendency by boosting its spending and taking a lax attitude toward credit expansion (while continuing on with the capitalist reforms that underpin overproduction itself). But the limits of such pump-priming in the absence of a viable mass working-class market were already evident by the fall of 2003, in the form of the continued buildup of excess capacity, as well as the absorption of positive demand impulses by a nationwide speculative boom in the real estate sector—with massive overbuilding of luxury and semi-luxury housing as well as commercial structures.⁸⁶

Conclusion

In highlighting the destructive impact of China's economic transformation, we do not mean to argue that Chinese workers are now the main cause of economic and social problems for working people in East Asia and beyond. As we have seen, China's rapid export growth has come at high expense for Chinese working people themselves, and it has even failed to sustain any growth in manufacturing job opportunities for Chinese workers. That China has not been "stealing jobs" from other countries' workers is clear from official Chinese government data indicating that the country's total manufacturing employment, after rising from 83.5 million in 1985 to 109.6 million in 1995, declined to only 83.1 million in 2002.⁸⁷

The fact is that in China and throughout the capitalist world, the competitive drive for profit has an inbuilt tendency to eliminate jobs through the mechanization and intensification of labor, and through overproduction and resulting recessions and economic

retrenchment. In China this tendency is taking the form of restructurings, privatizations, and closures of state enterprises. In the United States, meanwhile, much of the recent shrinkage of manufacturing employment has been due to the 2000-2001 recession "and rapidly rising American productivity that makes it possible to churn out more goods with fewer people," although industrial capital flight and import pressures have also been important factors.⁸⁸ As Karl Marx once observed, "The industrial war of capitalists among themselves...has the peculiarity that the battles in it are won less by recruiting than by discharging the army of workers. The generals (the capitalists) vie with one another as to who can discharge the greatest number of industrial workers."⁸⁹

In short, far from bashing China, our aim here is to demonstrate that China's *capitalist growth strategy* generates regional and global as well as national contradictions. Insofar as it ties the entire East Asian region more tightly to an export-led growth strategy, China's transformation worsens the dangers of overproduction and instability. Export-led growth pushes down regional wage rates, undermines domestic consumption, and generates destructive regional competition for foreign investment and export production. It also depends more and more on the ability of the United States to consume greater and greater amounts of imports. New crises grow increasingly likely under these conditions. The danger, of course, is that workers in different countries will come to see each other as the enemy rather than the system of capitalism that shapes their relationships and pits them against each other in a destructive competition.

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5. China and Socialism: Conclusion

We have argued that it is wrong to celebrate China as an economic success story or development model. But why is it so important how socialists and other progressives understand China? Is this all just an academic desire to properly interpret the Chinese experience, or a political sectarianism based on an *a priori* notion of “pure” socialism? The answer is no; the stakes are arguably much higher and more meaningful.

First, as we have seen, treating China as a success story tends to draw attention away from the uneven and combined development of capitalism. The search for national models based on national economic and competitive criteria implicitly suggests that different countries can simultaneously achieve China-like economic successes based on their simultaneous adoption of China-like economic policies. But this is a fallacy of composition insofar as China’s growth has been based on historically specific conditions that have allowed it to attract abundant foreign investment and maintain very low wages—conditions that include the contradictory development of capitalism in other countries.

China’s growth has been both cause and effect of the growing problems of FDI- and export-led growth in East Asia and Mexico, as well as of the contradictions of capitalist “maturation” in the developed countries, especially Japan and the United States. Its national competitiveness should not blind us to the fact that its rapid industrialization has been part and parcel of the uneven development and overproduction of capital on a world scale. Unfortunately, when progressives engage in a shared competitive search with neoliberals for national economic successes (and failures), they end up evaluating individual countries in isolation from the wider logic and dynamics of capitalism, or uncritically taking the latter as natural givens. The case of China shows how this approach can lead to progressive support for policies and regimes that are destructive of the interests of working people.

Second, the Chinese experience demonstrates that market reforms have a dynamic of their own. China’s overall transition from decentralization to FDI- and export-led growth was driven by an internal set of pressures. In other words, while some have argued that China illustrates the viability and attractiveness of market socialism, in reality the Chinese experience reveals that market

socialism is an unstable formation whose internal logic tends to marginalize socialism in favor of the market and the full restoration of capitalism.

This brings us to our third point, which is that the identification of China as a success story leads to an acceptance of export-led development as a "sound" and even "progressive" development strategy. But to celebrate China's highly competitive export orientation, and the FDI and domestic marketization that brought it about, is to legitimize neoliberal criteria of success. This tendency to define progressive in terms of mainstream notions of success parallels the opportunistic manipulation of Marxism by Chinese government leaders, as shown by their sequential reinvention of the core of socialism in Chinese practice—from the iron rice bowl and the communes to the central role of state enterprises, to the continued importance of the "public sector" (including quasi-collective enterprises), and finally to the leading role of the Communist Party itself (specifically of party officers) regardless of the reality of capitalist economic relations.

Such ideological manipulation purges concrete class analysis from Marxism, converting it into a font of transhistorical "wisdom" at the service of elites.¹ Marx himself warned Russian socialists about those who would distort his approach into a "master key," i.e., "a general historico-philosophical theory, the supreme virtue of which consists in being supra-historical."²

Fourth, by measuring "progress" in terms of mainstream criteria of success, leftists tend to discount the importance of the various social ramifications of Chinese policy. The growing unemployment, inequality, and insecurity; the cutbacks of communal health care and education; the worsening oppression of women; the marginalization of agriculture; and the multiplication of environmental crises; all of these come to be treated as inessential side effects rather than essential preconditions and inevitable outcomes of China's capitalist development.

In attempting to out-neoliberal the neoliberals, progressives lose sight of the basic Marxist observation that capitalist development involves the social separation of workers from the necessary conditions of production, including natural conditions, and the conversion of these conditions and of workers' labor power into means of producing commodities for a profit. In other words, they lose sight of the fact that capitalist production is class-alienated, class-exploitative production. One consequence is that they forget to consider the critical question of whether contemporary capitalist production, given its highly socialized, biospheric, and resource-intensive character, is capable of achieving success in terms of the

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sustainable development of productive forces (human, social, and ecological) on a global scale. This, in turn, causes them to overlook the fact that the creative element of capitalism's "creative destruction" is now far outweighed by the destructive element, especially once one takes the global socio-economic and ecological "side effects" of national capitalist successes into account. Thus, the poster-country game in development studies is not neutral, but instead strongly favors neoliberalism, especially as it submerges such concerns.

Fifth, the slide into acceptance of capitalist development criteria undermines international solidarity. Let us suppose that Chinese workers and communities begin to more effectively challenge not only their political repression but also the marketization and capitalization of their conditions, as we should hope they do. If this challenge is waged against a system that non-Chinese leftists have endorsed as socialist or progressive, these leftists will be in no position to offer these Chinese workers support.

Indeed, the combination of the Chinese government's elite-management interpretation of socialism and foreign leftist endorsements of China's "socialist market economy" could easily lead Chinese worker-activists to reject socialism altogether. At a minimum, this situation can be expected to create tensions and confusions between these activists and an international left-intellectual community likely to resent their resistance (or find it difficult to acknowledge) because it undermines its chosen model. Such is the political cost of formulating progressive development models based on elite-driven strategies for successful insertion into the global-capitalist system.

As David McNally emphasizes, "Revolutionary politics begins... with the common sense of the working class" and must "try to draw out and systematize the worldview which is implicit in [working-class] practices of resistance," especially those "popular genres which entail solidarity, cooperation, and egalitarianism."³ Instead of building models of progressive capitalism out of the experiences of the latest poster countries, left activist-intellectuals should act as "the force that generalizes experiences of opposition into an increasingly systematic program, the force that challenges the traditional and dominant ideas inherited by workers (patriotism, sexism, racism, etc.) by showing how they conflict with the interests and aspirations implicit in resistance to exploitation and oppression."⁴

Rooting our development visions and policy programs in the struggles of worker-community movements will not eliminate all disagreements (far from it!), but it is more likely to be a popularly

resonant strategy characterized by solidarity than the search for progressive national-capitalist successes. To endorse China's growth successes, in particular, is to endorse a development model that pits Chinese workers against workers in other countries in a competitive race to the bottom that has nothing to do with any progressive development of productive forces holistically considered. This cannot be the basis for building socialism or forwarding socialist values of sustainability, equality, solidarity, and democracy.

To better illustrate the nature of the choices we face, we conclude this book by highlighting some basic principles of this alternative approach to building development visions. We start with the recognition that both the East Asian crisis and China's capitalist restoration have promoted widespread struggles by working people to resist capitalist and government efforts to have them shoulder the main burden of the crisis and restructuring costs. Although these struggles have so far been largely defensive and fragmented in nature, they have prevented the full implementation of IMF-style liberalization and austerity policies in the ASEAN countries and South Korea, toppled the brutal Suharto dictatorship in Indonesia, and forced China's government to pay at least some attention to the country's developing health and social welfare crisis. Implicit in all these struggles is a general resistance to the determination of work and living conditions by market and profit criteria, rather than by human needs.

If there is any hope for a more progressive form of development and integration in the China-East Asia region, it lies in these militant tendencies created by the region's industrialization. Taken individually, it is true that national working-class movements are in a relatively weak position to push through a popular structural transformation. But if they are able to coalesce, their ability to envision and fight for human need-based forms of regional development will be greatly strengthened. Significantly, we see the potential for such a regionalization of class struggle growing as a result of China's emergence, precisely because that emergence deepens the capitalist regionalization process, thereby increasingly subjecting workers throughout the region to a common set of competitive pressures that could enable them to find common ground for their nationally based struggles.

In this view, the problem faced by workers is not export production per se, but rather the absence of alternatives to *profit-driven* export activity—alternatives that serve the needs of human development. In other words, trade itself is not the problem. A strategy firmly anchored in basic human needs, and gradually expanding into other, secondary needs of human development,

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would no doubt require imports and lead to the creation of exportable goods and services. Thus, it is possible to imagine an alternative mode of exporting and regional economic interaction emerging out of an autocentric integration of domestic needs, domestic demand, and domestic resource use.⁵ By contrast, capitalist export-led development policies, such as those that drove the East Asian "miracles" and China's economic transformation, lead to national integration into transnational dominated production networks, intensified competition among workers, and the reshaping of domestic social institutions (education, health care, legal systems, environmental regulations, etc.) in line with the market's monetary criteria and competitiveness imperatives.

For example, the creation of a national health-care system would require developing a construction industry to build clinics and hospitals, a drug industry to treat illnesses, a machine-tool industry to make equipment, a software industry for record keeping, an educational system to train doctors and nurses, etc., all shaped by the developing needs and capabilities of the people on local, national, and regional levels. The requisite mobilization of resources and technical and institutional innovations would clearly hinge upon a high degree of popular enthusiasm for and participation in the development process.

Should these conditions be met, it is conceivable that certain parts of such a popularly based health complex might develop a significant export capability. The cultivation of health-system capacities would also likely require some imports and investment agreements with foreign enterprises in order to overcome particular resource and/or technological bottlenecks. This trade and foreign investment would assist the development of locally planned products and processes responsive to grassroots health-care needs and capabilities, rather than simply harnessing the economy to products and processes developed by transnational capital. Cuba's health-care, biotechnology, and pharmaceutical sectors, developed in the face of the U.S. embargo, illustrate the practical possibilities and problems in this area.⁶

Health care is just one example of how a development strategy rooted in working peoples' needs and capabilities need not be an autarkic fantasy. International trade need not reduce people and communities to mere conditions of commodity production for profit insofar as exports and imports are an outgrowth of a resource allocation and investment process commanded by popular and human developmental needs. What is important is that production be driven by use values that are socially agreed upon, not by the requirements of class-exploitative monetary accumulation.

Of course, the human and natural resource base of the country involved will also shape the exact pattern of development. This makes it all the more important for this needs-based strategy to be implemented in a plurality of countries that can develop trade and investment relations among themselves as an outgrowth of developing productive capabilities rooted in their own specific historical, cultural, and resource "endowments" (and class struggles).

Such a shared and complementary development process would be a far cry from the activities and relationships promoted by neoliberal export-led development strategies. The neoliberal approach precludes popular mobilization and participation in investment and resource allocation, and promotes a destructive competition among workers and nations—one that accentuates capital's built-in tendencies toward unequal development, overproduction, and crises.⁷

In sum, that it is necessary to engage progressives in debate over the nature of the Chinese economic experience and argue for a new approach to development based on the above principles shows that we have much work to do to reclaim the power of Marxism to expose the contradictory workings and exploitative nature of global capitalism. As we have seen, the continuing celebration of the Chinese economic model has real political consequences. These consequences make it painfully clear that this effort is not a mere abstract-theoretical endeavor, but rather a critical concrete task for those of us seeking to build a new and better world.

Notes

1. Robert Weil, "On 'Emancipating the Mind,'" *Socialism and Democracy* 15, no. 2 (Fall 2001); Barbara Foley, "From Situational Dialectics to Pseudo-Dialectics: Mao, Jiang, and Capitalist Transition," *Cultural Logic*, 2002, <http://eserver.org/clogic/2002>.
2. Marx writing to the editorial board of *Otechestvenniye Zapiski*, November 1877, in Karl Marx and Frederick Engels, *Selected Correspondence* (Moscow: Progress Publishers, 1975), 294.
3. David McNally, "Language, History, and Class Struggle," *Monthly Review* 47, no. 3 (July/August 1995): 26–27.
4. *Ibid.*, 26.
5. Clive Y. Thomas, *Dependence and Transformation: The Economics of the Transition to Socialism* (New York: Monthly Review Press, 1974).
6. See, for example, Sergio Diaz-Briquets, *The Health Revolution in Cuba* (Austin: University of Texas Press, 1983); Julie Margot Feinsilver, *Healing the Masses: Cuban Health Politics at Home and Abroad* (Berkeley: University of California Press, 1993); Kamran Nayeri, "The Cuban Health Care System and Factors Currently

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- Undermining It," *Journal of Community Health* 20, no. 4 (August 1995); Amina Aitsiselme, "Despite U.S. Embargo, Cuban Biotech Booms," *NACLA Report on the Americas*, 35, no. 5 (March-April 2002); Mark Ingebretsen, "A Biotechnology Powerhouse Is Emerging Off Our Shores," *The Daily Scan* (*Wall Street Journal* website), November 25, 2003; Ernesto López Mola, Boris E. Acevedo, Ricardo Silva, Bianca Tormo, Ricardo Montero, and Luis Herrera, "Development of Cuban Biotechnology," *Journal of Commercial Biotechnology* 9, no. 2 (January 2003); *Reuters*, "Cuban Vaccine to Help Poor Kids," November 23, 2003.
7. Paul Burkett and Martin Hart-Landsberg, *Development, Crisis and Class Struggle: Learning from Japan and East Asia* (New York: St. Martin's Press, 2000), Chapters 11-12.



Now then do classes exist in socialist countries? Does class struggle exist? We can now affirm that classes do exist in socialist countries and that class struggle undoubtedly exists.... The bourgeois revolutions in Europe in such countries as England and France had many ups and downs. After the overthrow of feudalism there were several restorations and reversals. This kind of reversal is also possible in socialist countries. An example of this is Yugoslavia, which has changed its nature, and become revisionist, changing its nature and become revisionist, changing from a workers' and peasants' country to a country ruled by reactionary nationalist elements. In our country we must come to grasp, understand and study this problem really thoroughly. We must acknowledge the existence of a struggle of class against class and admit the possibility of the restoration of reactionary classes. We must raise our vigilance and properly educate our youth as well as cadres, the masses and the middle and basic level cadres. Old cadres must also study these problems and be educated. Otherwise a country like ours can still move towards the opposite. Even to move towards its opposite would not matter much because there would still be the negation of the negation, and afterwards we might move towards our opposite yet again. If our children's generation go on for revisionism and move towards their opposite, so that although they still nominally have socialism, it is in fact capitalism, then our grandsons will certainly rise up in revolt and overthrow their fathers, because the masses will, not be satisfied. Therefore, from now on we must talk about it this every year, every month, every day. We will talk about it at congresses, at Party delegate conferences, at plenums, at every meeting we hold, so that we have a more enlightened Marxist-Leninist line on the problem.

—Mao Tse-Tung, Speech at the Tenth Plenum of the 8th Central Committee (The morning of 24th September 1962)

Appendix

Table 1: Real GDP and Export Indicators for China

Year	Annual Growth of Real GDP (%)	Annual Growth of Exports (%)*	Ratio of Exports/GDP (%)
1985	13.5	4.6	9.0
1986	8.9	11.5	10.5
1987	11.6	27.5	12.3
1988	11.3	20.5	11.8
1989	4.1	10.6	11.7
1990	3.8	18.2	16.0
1991	9.2	15.7	17.7
1992	14.2	18.2	17.6
1993	13.5	8.0	15.3
1994	12.6	31.9	22.3
1995	10.5	23.0	21.2
1996	9.6	1.5	18.5
1997	8.8	21.0	20.4
1998	7.8	0.5	19.4
1999	7.1	6.1	19.7
2000	8.0	27.8	23.1
2001	7.3	6.8	23.0
2002	8.0	22.1	26.2

* \$US, FOB.

Source: National Bureau of Statistics of China, *China Statistical Yearbook 2002* (Beijing: China Statistics Press, 2002); Asian Development Bank, *Key Indicators 2002*, <http://www.adb.org>, and *Asian Recovery Information Center Indicators*, 2003, <http://aric.adb.org>.

Table 2: FDI Indicators for China

Year	FDI (\$US billion)	Annual FDI Growth (%)	Ratio (%) of FDI to Gross Investment
1985	1.03	-8.4	1.1
1986	1.43	38.3	1.6
1987	1.67	17.1	1.7
1988	2.34	40.4	1.9
1989	2.61	11.5	2.3
1990	3.49	33.7	3.5
1991	4.37	25.2	3.9
1992	11.01	151.9	7.3
1993	27.52	150.0	12.3
1994	33.77	22.7	17.3
1995	37.52	11.1	15.4
1996	41.73	11.2	14.9
1997	45.28	8.5	14.9
1998	45.46	0.4	13.6
1999	40.29	-11.4	11.3
2000	40.80	1.3	10.4
2001	46.77	14.6	10.5
2002	52.77	12.8	10.4

Note: FDI is measured on a net balance of payments basis. Gross investment is gross fixed capital formation, including residential and nonresidential structures.

Source: National Bureau of Statistics of China, *China Statistical Yearbook 2002* (Beijing: China Statistics Press, 2002); Asian Development Bank, *Key Indicators 2002*, and *Key Indicators 2003*, www.adb.org.

**Table 3: State and Urban Collective Enterprise Shares
in Total Employment**

Year	State Enterprise Shares (%)			Urban Collective Shares (%)		
	Manufac- turing	Domestic Trade	Urban Residents	Manufac- turing	Domestic Trade	Urban Residents
1978	45.9	79.6	78.3	21.5	15.1	21.5
1980	44.1	73.7	76.2	22.8	17.2	23.0
1985	40.1	34.7	70.2	21.7	31.1	26.0
1990	39.4	33.4	60.7	20.6	26.8	20.8
1991	39.4	33.1	61.1	20.2	26.2	20.8
1992	38.7	32.3	61.0	19.2	24.8	20.3
1993	37.1	29.3	59.8	17.2	21.5	18.6
1994	34.6	26.9	60.1	15.8	18.3	17.6
1995	34.0	24.7	59.1	14.5	16.2	16.5
1996	33.0	23.4	56.4	13.8	14.8	15.1
1997	31.3	21.6	53.1	12.9	13.3	13.9
1998	22.6	14.9	41.9	8.9	8.9	9.1
1999	20.3	12.8	38.2	7.7	7.3	7.6
2000	17.6	11.3	35.0	6.5	6.1	6.5
2001	14.8	9.4	31.9	5.3	4.6	5.4

Note: Domestic trade includes wholesale and retail trade plus eating and drinking places.

Source: National Bureau of Statistics of China, *China Statistical Yearbook 2002* (Beijing: China Statistics Press, 2002).

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Table 4: Township and Village Enterprise (TVE) Employment

Year	Number Employed in TVEs (millions)	TVE Share of Rural Employment (%)	TVE Share of National Employment (%)
1978	28.3	9.2	7.0
1980	30.0	9.4	7.1
1985	69.8	18.8	14.0
1987	88.1	22.6	16.7
1988	95.5	23.8	17.6
1989	93.7	22.9	16.9
1990	92.7	19.6	14.5
1991	96.1	20.1	14.8
1992	106.3	22.0	16.2
1993	123.5	25.3	18.6
1994	120.2	24.6	17.9
1995	128.6	26.3	18.9
1996	135.1	27.6	19.6
1997	130.5	26.6	18.8
1998	125.4	25.6	17.9
1999	127.0	25.9	18.0
2000	128.2	26.2	17.8
2001	130.9	26.7	17.9

Source: Ming Lu, Jianyong Fan, Shejian Liu and Yan Yan, "Employment Restructuring During China's Economic Transition," *Monthly Labor Review* 125, no. 8 (August 2002); National Bureau of Statistics of China, *China Statistical Yearbook 2002* (Beijing: China Statistics Press, 2002).

Table 5: Share of Foreign Affiliates in Total Manufacturing Sales of China

Year	Share (%)
1990	2.3
1991	5.3
1992	7.1
1993	9.1
1994	11.3
1995	14.3
1996	15.1
1997	18.6
1998	24.3
1999	27.7
2000	31.3

Source: UNCTAD, *World Investment Report 2002: Transnational Corporations and Export Competitiveness* (New York: United Nations, 2002).

**Table 6: Foreign-Funded Enterprise Shares
in Exports and Total Trade of China**

Year	Share of Exports(%)	Share of Total Trade(%)
1990	17.4	12.6
1991	21.4	16.8
1992	26.3	20.5
1993	34.3	27.5
1994	37.0	28.7
1995	39.1	31.5
1996	47.3	40.7
1997	47.0	41.0
1998	46.7	44.1
1999	48.4	45.5
2000	49.9	47.9
2001	50.8	50.1

Source: Chen Zhilong, "Two Decades of Utilizing FDI in China: States, Structure and Impact," *China Report* 38, no. 4 (2002); National Bureau of Statistics of China, *China Statistical Yearbook 2002* (Beijing: China Statistics Press, 2002).

Table 7: Inflation and Unemployment in China

Year	Annual Inflation of Consumer Prices (%)	Unemployment Rate In Urban Areas (%)
1985	9.3	1.8
1986	6.5	2.0
1987	7.3	2.0
1988	18.8	2.0
1989	18.0	2.6
1990	3.1	2.5
1991	3.4	2.3
1992	6.4	2.3
1993	14.7	2.6
1994	24.1	2.8
1995	17.1	2.9
1996	8.3	3.0
1997	2.8	3.1
1998	-0.8	3.1
1999	-1.4	3.1
2000	0.3	3.1
2001	0.9	3.6
2002	-0.8	4.0

Source: National Bureau of Statistics of China, *China Statistical Yearbook 2002* (Beijing: China Statistics Press, 2002); Asian Development Bank, *Key Indicators 2002* (www.adb.org) and *Asian Recovery Information Center Indicators*, 2003 (<http://aric.adb.org>).

**Table 8: Unemployment Rate in Urban Areas:
Official Versus Estimated Actual Rates**

Year	Official Rate (%)	Estimated Actual Rate (%)
1993	2.6	3.3-3.7
1994	2.8	3.6-4.1
1995	2.9	4.4-5.0
1996	3.0	5.1-6.0
1997	3.1	6.8-7.8
1998	3.1	7.9-8.3

Source: Social and Economic Policy Institute, "Overview of Current Labor Market Conditions in China," January 2002, <http://www.sepi.org>.

**Table 9: Aggregate and Sectoral Employment (millions) and
Sectoral Shares in Aggregate Employment**

Year	Aggregate	Agriculture		Manufacturing*		Other†	
	Employment	Employed	Share	Employed	Share	Employed	Share
1985	498.73	311.30	62.4%	83.49	16.7%	103.94	20.8%
1986	512.82	312.54	60.9%	89.80	17.5%	110.48	21.5%
1987	527.83	316.63	60.0%	93.43	17.7%	117.77	22.3%
1988	543.34	322.49	59.4%	96.61	17.8%	124.24	22.9%
1989	553.29	332.25	60.0%	95.68	17.3%	125.36	22.7%
1990	639.09	341.17	53.4%	96.98	15.2%	200.94	31.4%
1991	647.99	349.56	53.9%	99.47	15.4%	198.96	30.7%
1992	655.54	347.95	53.1%	102.19	15.6%	205.40	31.3%
1993	663.73	339.66	51.2%	104.67	15.8%	219.40	33.1%
1994	671.99	333.86	49.7%	107.74	16.0%	230.39	34.3%
1995	679.47	330.18	48.6%	109.63	16.1%	239.36	35.2%
1996	688.50	329.10	47.8%	109.38	15.9%	250.02	36.3%
1997	698.20	330.95	47.4%	107.63	15.4%	259.62	37.2%
1998	706.37	332.32	47.0%	93.23	13.2%	280.82	39.8%
1999	713.94	334.93	46.9%	90.61	12.7%	288.40	40.4%
2000	720.85	333.55	46.3%	89.24	12.4%	298.06	41.3%
2001	730.25	329.74	45.2%	89.32	12.2%	311.19	42.6%
2002	737.40	324.57	44.1%	83.08	11.3%	329.45	44.7%

* Includes mining and utilities.

† Includes construction.

Source: Asian Development Bank, *Key Indicators 2002*, www.adb.org; Asian Development Bank, *Key Indicators 2003*, www.adb.org.

**Table 10: Net FDI in China and Other
East Asian Countries (\$US billion)**

Country	1997	1998	1999	2000	2001	2002
China (PRC)	45.28	45.46	40.29	40.80	46.77	52.77
Hong Kong	--	-2.22	5.21	-2.57	12.43	-3.98
Taiwan	-3.00	-3.61	-1.49	-1.77	-1.37	-3.44
Singapore	4.45	7.14	7.83	6.40	1.32	1.97
South Korea	-1.61	0.67	5.14	4.28	1.11	-0.70
Indonesia	4.68	-0.36	-2.75	-4.55	-5.88	-7.07
Thailand	3.30	7.36	5.74	3.37	3.65	0.86
Malaysia	5.56	2.19	2.32	1.76	0.29	1.30
Philippines	1.11	1.59	1.92	1.45	1.14	1.03

Source: Asian Development Bank, *Key Indicators 2002*, *Key Indicators 2003* (www.adb.org) and *Asian Recovery Information Center Indicators* (<http://aric.adb.org>). The PRC data are an updated version of those provided in the National Bureau of Statistics of China, *China Statistical Yearbook 2002* (Beijing: China Statistics Press, 2002).

**Table 11: Total Exports (\$US billion, with % shares of
each exporting country in grand total)**

Country	1985	1990	1995	1998	1999	2000	2001	2002
China (PRC)	27.33 (14.6)	62.76 (15.0)	148.96 (17.0)	183.74 (20.0)	194.93 (20.0)	249.20 (21.2)	266.14 (24.2)	371.42 (31.3)
Hong Kong	30.18 (16.1)	82.14 (19.6)	173.56 (20.0)	173.69 (18.9)	173.79 (17.8)	201.99 (17.2)	189.84 (17.2)	139.50 (11.8)
Taiwan	30.73 (16.4)	67.21 (16.0)	111.66 (12.7)	110.58 (12.1)	121.59 (12.5)	148.32 (12.6)	122.87 (11.2)	130.60 (11.0)
Singapore	22.81 (11.9)	52.75 (12.6)	118.19 (13.5)	109.89 (12.0)	114.73 (11.8)	137.93 (11.7)	121.72 (11.1)	125.09 (10.5)
South Korea	30.29 (16.2)	67.81 (16.2)	131.31 (15.0)	132.70 (14.5)	143.65 (14.7)	171.83 (14.6)	149.84 (13.6)	153.28 (12.9)
Indonesia	18.60 (9.9)	25.68 (6.1)	45.43 (5.2)	48.84 (5.3)	48.65 (5.0)	62.10 (5.3)	64.82 (5.9)	63.04 (5.5)
Thailand	7.12 (3.8)	23.07 (5.5)	57.20 (6.5)	54.49 (5.9)	58.50 (6.0)	68.96 (5.9)	65.11 (5.9)	68.85 (5.8)
Malaysia	15.41 (8.2)	29.42 (7.0)	73.72 (8.4)	73.47 (8.0)	84.55 (8.7)	98.15 (8.3)	88.20 (8.0)	96.23 (8.1)
Philippines	4.61 (2.5)	8.19 (2.0)	17.37 (2.0)	29.50 (3.2)	35.48 (3.6)	38.06 (3.2)	32.14 (2.9)	36.55 (3.1)
Grand Total	187.08	419.04	877.39	916.91	975.87	1176.54	1100.67	1186.57

Source: Asian Development Bank, *Key Indicators 2003*, www.adb.org.

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Table 12: Total Exports to the United States (\$US billion, with % shares of each exporting country in grand total)

Country	1985	1990	1995	1998	1999	2000	2001	2002
China (PRC)	2.34 (4.6)	5.31 (5.6)	24.74 (14.3)	38.00 (19.2)	42.00 (19.6)	52.16 (20.8)	54.36 (24.2)	108.23 (41.5)
Hong Kong	9.30 (18.2)	19.82 (21.0)	37.85 (21.9)	40.70 (20.5)	41.50 (19.3)	47.08 (18.8)	42.41 (18.9)	17.93 (6.9)
Taiwan	14.77 (28.9)	21.75 (23.1)	26.41 (15.3)	29.38 (14.8)	30.90 (14.4)	34.82 (13.9)	27.65 (12.3)	26.76 (10.3)
Singapore	4.83 (9.5)	11.22 (11.9)	21.58 (12.5)	21.86 (11.0)	22.06 (10.3)	23.89 (9.5)	18.76 (8.4)	19.11 (7.3)
South Korea	10.79 (21.1)	19.42 (20.6)	24.34 (14.1)	23.08 (11.6)	29.60 (13.8)	37.81 (15.1)	31.36 (14.0)	33.76 (13.0)
Indonesia	4.04 (7.9)	3.36 (3.6)	6.32 (3.7)	7.05 (3.6)	6.91 (3.2)	8.49 (3.4)	9.92 (4.4)	9.44 (3.6)
Thailand	1.40 (2.7)	5.24 (5.6)	10.08 (5.8)	12.18 (6.1)	12.67 (5.9)	14.71 (5.9)	13.25 (5.9)	13.52 (5.2)
Malaysia	1.97 (3.9)	4.99 (5.3)	15.31 (8.9)	15.89 (8.0)	18.53 (8.6)	20.16 (8.0)	17.82 (7.9)	21.37 (8.2)
Philippines	1.66 (3.2)	3.10 (3.3)	6.22 (3.6)	10.15 (5.1)	10.49 (4.9)	11.41 (4.6)	8.99 (4.0)	10.39 (4.0)
Grand Total	51.10	94.21	172.85	198.26	214.66	250.52	224.51	260.51

Source: Asian Development Bank, *Key Indicators 2003*, www.adb.org.

Table 13: Exports to the United States as a Percent of Total Exports

Country	1985	1990	1995	1998	1999	2000	2001	2002
China (PRC)	8.5	8.5	16.6	20.7	21.5	20.9	20.4	29.1
Hong Kong	30.8	24.1	21.8	23.4	23.9	23.3	22.3	12.9
Taiwan	48.1	32.4	23.6	26.6	25.4	23.5	22.5	20.5
Singapore	21.2	21.3	18.3	19.9	19.2	17.3	15.4	15.3
South Korea	35.6	28.6	18.5	17.4	20.6	22.0	20.9	22.0
Indonesia	21.7	13.1	13.9	14.4	14.2	13.7	15.3	14.5
Thailand	19.7	22.7	17.6	22.3	21.7	21.3	20.3	19.6
Malaysia	12.8	16.9	20.8	21.6	21.9	20.5	20.2	22.2
Philippines	35.9	37.9	35.8	34.4	29.6	30.0	28.0	28.4

Source: Asian Development Bank, *Key Indicators 2003*, www.adb.org.

Table 14: Shares of Different Regional Markets in Exports of East Asian Countries (by percent)

Exporting Country	Years	Asia	Western Europe	North and Central America	Rest of World
China (PRC)	1990	68.8	10.3	10.2	10.7
	1998	49.9	16.6	23.6	9.9
	2000	46.0	15.9	30.3	7.8
	2001	47.5	16.0	27.7	8.8
	2002	43.4	15.6	32.1	8.9
Hong Kong	1990	46.5	19.8	27.3	6.4
	1998	49.7	16.9	27.2	6.2
	2000	53.5	15.9	25.0	5.6
	2001	54.3	15.8	24.5	5.4
	2002	63.6	14.7	15.8	5.9
Taiwan	1990	38.2	18.2	36.0	7.6
	1998	51.2	13.9	34.9	0.0
	2000	56.4	12.7	30.9	0.0
	2001	56.4	12.7	30.9	0.0
	2002	56.9	14.2	23.0	5.9
Singapore	1990	51.1	15.9	23.1	9.9
	1998	51.0	18.3	22.5	8.2
	2000	57.2	15.4	20.4	7.0
	2001	58.6	15.2	18.4	7.8
	2002	61.8	13.0	17.3	7.9
South Korea	1990	35.4	15.5	33.4	15.7
	1998	41.3	19.9	22.9	15.9
	2000	43.0	16.2	29.3	11.5
	2001	44.7	15.1	27.1	13.1
	2002	46.1	13.2	27.9	12.8
Indonesia	1990	67.7	12.2	13.9	6.2
	1998	52.8	17.9	18.4	10.9
	2000	58.0	15.3	17.9	8.8
	2001	58.4	14.9	17.5	9.2
	2002	59.6	13.9	16.2	10.3
Thailand	1990	39.2	24.1	25.3	11.4
	1998	45.0	20.5	26.0	8.9
	2000	48.9	18.0	24.7	8.4
	2001	49.2	18.0	23.3	9.5
	2002	51.5	15.7	21.9	10.9
Malaysia	1990	59.8	15.6	18.1	6.5
	1998	50.8	17.7	24.2	7.3
	2000	53.8	14.9	24.9	6.4
	2001	55.6	14.9	22.7	6.8
	2002	56.3	13.0	23.7	7.0
Philippines	1990	37.5	18.8	40.2	3.5
	1998	37.1	21.9	38.6	2.4
	2000	42.1	19.7	35.9	2.3
	2001	46.6	18.2	32.8	2.4
	2002	48.6	17.4	30.7	3.3

Source: Asian Development Bank, *Key Indicators 2000*, *Key Indicators 2001*, *Key Indicators 2002*, *Key Indicators 2003*, www.adb.org.

Commentary

The "Editors Foreword" from John Bellamy Foster and Harry Magdoff to this special issue of Analytical Monthly Review shall this month be their message instead of the notes that usually appear in this place. In honour of William Hinton (1919-2004), we set out some quotes from his work that go to the issues posed by this important special issue on China & Socialism.

Socialism is after all not something given, something fixed. It is a process, a transition from one state of society to another....As such it bears within it many contradictions, many inequalities that cannot be done away with overnight or even in the course of several years or several decades....Yet as long as these inequalities exist they generate privilege, individualism, careerism, and bourgeois ideology. Without a conscious and protracted effort to combat these tendencies they can grow into an important social force. They can and do create new bourgeois individuals who gather as a new privileged elite and ultimately as a new exploiting class. Thus socialism can be peacefully transformed back into capitalism. — *China : An Unfinished Battle*, pp.17-8

“Obviously if some buy land others must sell. If some hire others must hire out. Only a few can go up. Most must sink down. Such is the capitalist road.” — *China : An Unfinished Battle*, p.21

“[Some] sincere revolutionaries... had fought hard to overthrow feudal power and to drive imperialism out of China, they talked about socialism, even dreamed about socialism, but when socialism actually came on the agenda they hesitated or were frightened. Mao Tse-tung compared such cadre to Lord Shih, who loved dragons. This legendary figure collected pictures of dragons and statues of dragons, but when a live dragon came down the road he ran away as fast as he could.” — *China : An Unfinished Battle*, p.22

“Public ownership of mines, mills and factories may very closely resemble private ownership and in the long run will lead back to some form of new class control if the internal relations between managers and workers, between technicians and bench- or assembly-line workers, and between workers themselves are not transformed.” — *China : An Unfinished Battle*, p.32

“One should not, of course, have any illusions that class conflict and two-line struggle have come to an end in China, that working

class power is now secure there for all time. In the course of the Cultural Revolution Mao Tse-tung and his supporters, by mobilizing a great mass movement of the people, have confronted one great wave of capitalist restoration. Other waves are sure to follow. It will take decades, perhaps a century or two before the working class can establish socialism so firmly in any one country that it can no longer be challenged.”—*China : An Unfinished Battle*, p.69 from “A Response to Hugh Deane” in the March 1989 MR.

“The irony built into [the] commandism question is that the reformers under an anti-command banner, dismantled the rural cooperative economy by command. Certainly many peasants welcomed the family contract system and voted with their feet to abandon cooperatives, but many other peasants did not.”—*China : An Unfinished Battle*, p.93

“To say that Deng and associates could have built anything on either the industrial or agricultural front approaching in scale what China built under Mao’s leadership with an alternative, mixed economy, free-market policy is sheer speculation...It is one thing to enliven the economy by granting easy credit to individual entrepreneurs operating in a sellers’ market, by granting existing public assets to private managers for commercial-style operation in pursuit of profit, and by attracting foreign investors by making competitive concessions to the point where they threaten China’s autonomy and integrity. It is quite another to build an economy from scratch under fierce foreign embargo to a point where it is strong enough to deal with Western multinational businesses on equal terms...”—*China : An Unfinished Battle*, p.101 from “The Chinese Revolution, Was it Necessary?...” November 1991 MR

“The production levels of today have their roots in the land reform of the late 1940s and early 1950s that gave land to every tiller; in the collectivization of the 1950s, 1960s, and 1970s that created scale and developed rural infrastructure; and in the industrialization of four decades that supplied the increasing level of manufactured inputs essential to high stable yields...[M]any crucial inputs-fertilizers, pesticides, hybrid seeds, and the like-came on stream just as the privatization of farming got underway, and since the government matched this unprecedented material support with substantial price rises for the farm produce, it is difficult to assess how much of recent progress is due to technical measures and price incentives...I suspect that the collective system, if equally favored, would have shown equal if not superior results.”—*China : An Unfinished Battle*, pp.111-12

Still Hammering Out Justice:

Pete Seeger at 85



Last May 3 was Pete Seeger's 85th birthday. Pete has been a longtime reader of *Monthly Review* as well as the author of several MR articles. And for as long as most of us can remember he's been a stalwart in struggles against exploitation, white supremacy, imperialism, nuclear power, the destruction of the environment, and U.S. military interventions from Korea and Vietnam to Iraq. Over the last three-quarters of a century it is hard to find a battle for social justice in which Pete, his banjo, and his voice have not played an energizing and formative role.

Pete's music has always been in aid of the good fight, from union organizing drives in the thirties and forties to struggles against the anticommunist witch-hunts of the fifties, to the civil rights battles of the sixties and seventies, and to the still-ongoing decades-long efforts to save the environment. Pete was in CIO union halls with the Almanac Singers and on college campuses nationwide defending academic freedom with the Weavers. In 1949 he was with Paul Robeson when racist police infamously rioted at a concert in Peekskill, New York. Pete was in Mississippi with the SNCC students demolishing Jim Crow, with the Clamshell Alliance demanding renewable non-nuclear energy, and with the crew of the sloop *Clearwater*, cleaning up the Hudson River. All the while he has given voice, hope, and energy to militants in the United States and all over the world. Pete's unflinching spirit is best depicted in a song he sang long ago (often with the Weavers). In bleak times, when he confronted "*The madmen with chains and war / To prison us in hate,*" still he sang, "*Isn't this a time / To free the soul of man / Isn't this a wonderful time?*"

For the MR family, all these years have been a "wonderful time" to share music and struggle with you, Pete. Happy birthday—and many more.

—John J. Simon

(continued from inside back cover)

attempt to create an alliance between the palace and (in particular) the parliamentary Communist Party of Nepal (United Marxist-Leninist), to provide a cover under which a war of terror and extermination can be resumed in the countryside with greater hope of success.

As of the moment of writing this, US policy seems closer to its goal than at any time in years. The CPN-UML having broken the unity of the five parliamentary parties, is preparing to join the latest palace nominated government. Yet at the same time the CPN-UML appears to have reached an internal consensus on the demand for a democratically elected constituent assembly. But there is no middle ground between being a puppet of the US embassy and democracy. A democratically elected constituent assembly cannot come into being with US/palace controlled security forces staging 'encounter' assassinations and disappearances. An armistice and a measure of disarmament are essential preconditions to democratic process, and this the US embassy will not permit. Facing the question that history has posed for the CPN-UML cannot much longer be delayed. At the point that a government of the CPN-UML/palace/US undertakes a new military offensive against the Nepali countryside, the CPN-UML would be writing an ignominious last chapter to its history.

International factors are of course of critical importance. Moriarty's appointment can be read as a response to Chinese concern at US military involvement on its borders in Nepal. Perhaps the Senate hold on his appointment was related to a proposed offer to abandon the Tibetan clients of the US in return for a free hand in Nepal. But US threats to China are not likely to be of much avail in the context of a US empire hobbled by its inability to defeat the Iraqi nationalist resistance.

The Vajpayee government had given vigorous support to the murderous US/palace regime. The purportedly progressive and peaceful intentions of the new Indian government shall be displayed by the degree to which they free themselves from the Bush-regime/US policies in Nepal. The Indian parliamentary left is said to have influence on a scale not seen in years; here is a test of both its intentions and its supposed influence.

In this context our author addresses the question of democracy. The young Nepali elite, returned from neo-liberal indoctrination abroad, are warned that what they have been taught is worse than useless and that they will have to learn a new lesson—from the countryside.

Some Reasons for Nepal's Dysfunctional Democracy

by Naba Raj Majhi, a Nepali student

The accepted talk in the Kathmandu English language press is that—at least up until October 2002—we have experienced a little more than a decade of “democracy” in Nepal. Certainly something changed in 1990. The expectations and high hopes of the majority in Nepal for a change for the better were real. But now with Nepal filled with more hunger and pain than ever existed in the Panchayat system, the time has surely come to ask what went wrong. This piece is an attempt to answer a question that everyone in the English language speaking elite in the valley fears to ask: What made our democracy dysfunctional?

Semi-official ideologues in the United States have offered the “explanation” that democracy is just for the rich. Robert Kaplan, in his famous—and quite controversial—1997 *Atlantic Monthly* essay “Was Democracy Just a Moment” argues that to have a functional democracy, a country should have certain preconditions. Not surprisingly his preconditions are that a country has to be pretty much like his selected democratic paradise, the United States. His preconditions include a growing middle class and civil institutions. And Fareed Zakaria, a columnist for Newsweek in his latest book, *The Future of Freedom: Illiberal Democracies at Home and Abroad*, not only supports this argument but goes further by saying that: “The success of democracy depends on per capita income of a country. If a country's per capita income is more than 5000 US Dollars, democracy works, if it is below that, it does not work.”

Certainly by this fashionable rightwing US standard, we didn't stand a chance. We neither had a growing middle class nor civil institutions before 1990 or now. Like the previous system the new system concentrated its development effort in Kathmandu and some already developed cities. The people who benefited from the new regime were the same old people/areas who benefited from the previous regime. Maybe there was a moment when this might have changed, when the UML minority government of Man Mohan Adhikari wished to go to the country for an election on the program of dividing up the development money and letting every village determine for itself how to spend it. I say maybe, because after all it was only an election program. But we all know what happened: the Supreme Court knifed the government, the election, democracy and Nepal. Politics returned to a repulsive squabble for offices, and the armed revolution in the countryside followed like night the day.

Another way of saying that we didn't stand a chance because we're too poor is to blame the absence in Nepal of ‘civil society’. This is a favorite of the handful of elite Nepalīs back from their graduate schools in the greater Boston area. But what is their ‘civil

society'? In fact it's the collective voice of self-confident, educated, business and professional individuals claiming to be an 'impartial' watchdog over the government. But we're not a rich country. There simply aren't enough self-confident rich elite Nepalis to do the trick. And who are they to blame, the majority, struggling to earn its daily bread, who had every reason to believe that they were being cheated by the system again. The intellectuals, who were expected to criticize the government for its wrong policies whenever needed, themselves put on blinders and became the propaganda apparatus of the regime. Committed to a market ideology that throughout the whole world has increased inequality wherever it has been applied, the returned elite from US colleges came with packaged nostrums that just made a bad situation worse.

Last but not least, when we discuss the Nepali democracy, we have to ask this question: Did we become a victim of India or the Super Power's geopolitical interests in the 1990s that led to the change of system? Remember that the old system crashed when India imposed an economic blockade, and loans were refused by the World Bank and IMF—under US domination and committed to the spread of 'free market' ideology worldwide through Dollar power. Given the global scenario then—the fall of Berlin Wall, the breaking apart of USSR, the fall of communist regimes in East Europe and the end of the Cold War—it can be said that the change of system in Nepal was not unconnected with the American/western triumph in the international system. And like in much of the rest of the world, the global powers meddled in Nepali affairs for their own interests and 'democracy' was always more words than practice. Perhaps the lesson is now clear: if we are going to have democracy in Nepal it's going to have to be poor people's democracy. And for that we will never be able to count on the Super Power, whose most visible aid today is out of uniform 'advisers' teaching our army the Super Power's now quite famous interrogation techniques. We do not need that kind of democracy. We will have to count on the majority, on the poor people of Nepal. And if the elite don't like what the poor people are telling them, they may just have to shut up and listen. That's what democracy is about, no?



The materialist doctrine concerning the changing of circumstances and upbringing forgets that circumstances are changed by men and that it is essential to educate the educator himself. This doctrine must, therefore, divide society into two parts; one of which is superior to society.

The coincidence of the changing of circumstances and of human activity or self-changing can be conceived and rationally understood only as *revolutionary practice*.

Karl Marx-Third Thesis On Feuerbach

(continued from inside front cover)

cover assassinations in the countryside, no significant attempt to move out of their fortified positions has taken place for many months. In the countryside the revolution has attained hegemony. The CPN (Maoist), the guiding revolutionary party, in early 2004 demanded that local officials of the royal government in the countryside resign, and almost all have done so. The revolutionaries demand a popularly elected constituent assembly to decide the social and political framework for Nepal's future. The palace has preferred civil war to democracy, as the likely result of any democratically elected constituent assembly would be a republic.

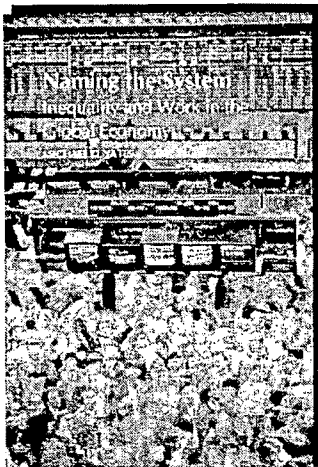
The coup of October 2002 against the parliamentary regime initiated a policy of direct rule by the palace and the security forces, which has failed. Even in the central valley of Nepal, where the revolutionaries have not openly challenged the security forces, a coalition of five parliamentary political parties brought governmental functions to a standstill in a six month confrontational campaign. A brave and spirited student movement raised the slogan of a republic, and even forced the palace to withdraw the 'terrorist' label imposed at US command on the revolutionary student organisation.

At this juncture, the US has appointed an Ambassador-Viceroy for Nepal of a new type, James Francis Moriarty. Previously the Nepal US embassy was given to wealthy US individuals who had contributed significantly to the election campaign of the current US President. These individuals were a fair representation of their class; arrogant and ignorant. In more peaceful times the real functions of the embassy were carried out by the senior career diplomat and the chief CIA officer. Once the US intervened with military supplies and 'advisers', direct control over the Kathmandu Embassy from Washington was attempted, but failed. Moriarty represents an attempt at on-the-spot control by the governing elite. A member of the secretive all-powerful National Security Council with responsibility for Chinese affairs, Moriarty is known as the current representative of the non-confrontational US Chinese policy, first initiated in the 1970s. For the first time in history the US has graced little Nepal with a Viceroy of the Curzon/Hardinge type—able not only to carry out policy but with the authority to undertake initiatives on his own.

Moriarty's confirmation as Ambassador for Nepal was put on hold by the US Senate for months, and though his appointment was announced in April he did not arrive in Kathmandu until July 5th. As these affairs are conducted wholly in secret, what was at issue cannot with any certainty be asserted. But what is certain is that US policy remains to crush the revolutionary movement of the Nepali people at any cost short of the direct introduction of large numbers of US troops.

The centerpiece of US political scheming to date has been the
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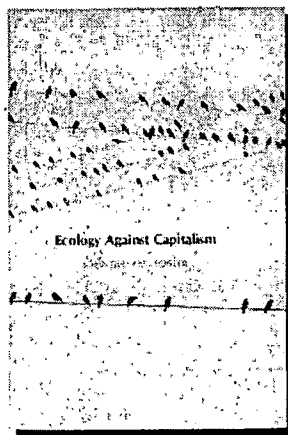
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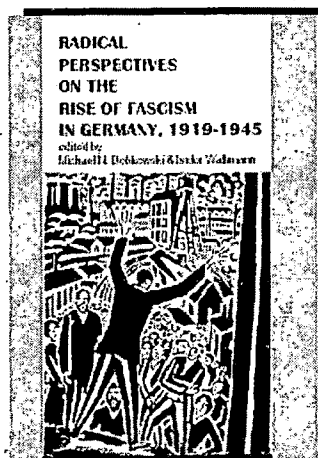
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review of the Month by JOHN BELLAMY FOSTER & ROBERT W. MCCHESENE

Trouble in Washington's Backyard:



Haiti Matters!

CHARLES MCCOLLESTER

cccl
21.09.04



Venezuela: Referendum & Revolution

MICHAEL A. LEBOWITZ interviewed by DERRICK O'KEEFE



Argentina: A Popular Economic Recovery?

ECONOMISTAS DE IZQUIERDA

Encounters with Che

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WILLIAM HINTON (1919-2004)

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A dozen women, young and old, themselves wives and mothers (and grandmothers), arrived in a group at Kangla, the historic seat of Manipur kings on 15th July 2004. Stopping in front of the gates of the Assam Rifles headquarters housed in that heavily guarded fortress, they stripped off their clothes, shouting slogans and holding up two screaming banners: 'Indian Army rape us'; 'Indian Army take our flesh'. They were protesting against the alleged torture, rape and murder, while under the custody of the Assam Rifles, of Thangjam Manorama, a 32-year-old Manipuri woman. This unprecedented form of demonstration by Manipuri women in front of Kangla Fort has removed the scales from the eyes of India and has sent a shock wave that no conscientious person can avoid.

It has become a common practice among the security forces (including the police) engaged in counter insurgency operations, while dealing with 'suspects', to do away with the safeguards accorded to a woman by the Criminal Procedure Code. Arrest by male security personnel, interrogation in army camps and police stations, torture and sexual abuse (including rape) by male security personnel in custody have become routine. Insurgency in Manipur is linked to the complex questions that lie at the intersection of national integration and the rights of oppressed peoples. Throughout the north eastern region the Union government has a sad

(continued on inside back cover)

The American Empire

Pax Americana or Pox Americana?

JOHN BELLAMY FOSTER AND ROBERT W. MCCHESENEY

On June 10, 1963, President John F. Kennedy delivered a commencement address at American University in Washington, D.C., in which he declared that the peace that the United States sought was "not a Pax Americana enforced on the world by American weapons of war." His remarks were a response to criticisms of the United States advanced in a recently published Soviet text on military strategy. Kennedy dismissed the charge that "American imperialist circles" were "preparing to unleash different kinds of wars" including "preventative war." The Soviet text, he pointed out, had stated, "The political aims of American imperialists were and still are to enslave economically and politically the European and other capitalist countries and, after the latter are transformed into obedient tools, to unify them in various military-political blocs and groups directed against the socialist countries. The main aim of all this is to achieve world domination." In Kennedy's words, these were "wholly baseless and incredible claims," the work of Marxist "propagandists." "The United States, as the world knows, will never start a war."*

Despite such high level denials, the notion of a "Pax Americana" enforced by American arms was to become the preferred designation for those attempting to justify what was portrayed as a benevolent American Empire. Thus, in his widely read book, *Pax Americana*, first published in 1967 during the Vietnam War, Ronald Steel wrote of "the benevolent imperialism of Pax Americana" characterized by "empire-building for noble ends rather than for such base motives

* John F. Kennedy, "Commencement Address at American University," June 10, 1963 <http://www.jfklibrary.org/j061063.htm>; V. D. Sokolovskii, *Soviet Military Strategy* (Englewood Cliffs, N.J.: Prentice-Hall, 1963), 149; originally published in the Soviet Union in 1962 under the title *Military Strategy*. In his speech Kennedy substituted ellipses in the main part of the quotation offered here. Here we quote from the same passage, replacing the ellipses with the actual text.

as profit and influence." A chapter of Steel's book on foreign aid as an "element of imperialism" was entitled "The White Man's Burden," hearkening back to Rudyard Kipling's celebrated poem calling on the United States to exercise an imperialist role in the Philippines following the Spanish-American War of 1898.* Such explicit imperial views, largely suppressed in the United States after the U.S. defeat in Vietnam, have now resurfaced in a post-Cold War world marked by U.S. wars in Afghanistan and Iraq and by a permanent U.S.-led "War on Terrorism." Once again we hear establishment calls for the "defense of Pax Americana" and even renewals of the old cry to take up "the White Man's burden."

Kennedy had depicted the global military expansion of the United States as an attempt to contain Communism. Today the Cold War is over. The Soviet Union is no more. Yet at the beginning of the 21st century the United States is viewed more than ever by the world population as an imperialist power, enforcing its will unilaterally by force of arms. Since the fall of the Soviet Union we have seen the largest military interventions by the United States in Europe since the Second World War. The U.S. war machine has waged full-scale conventional wars in the Middle East. The United States now has military bases in locales such as Central Asia that were previously beyond the reach of the American Empire. In the 2003 invasion of Iraq, Washington made it clear that it was conducting a preventive war in light of the potential threat represented by weapons of mass destruction that could be used against the United States. The fact that there was no evidence of the existence of such weapons prior to the war did not seem to matter because a declaration by the administration that such weapons existed was deemed sufficient. Nor did it seem to matter after the war that no such weapons were found since once the invasion had taken place the new reality on the ground in Iraq dictated all. In this way imperialism provided its own justification.

Rather than breaking with earlier U.S. history these most recent military actions represent the continuation and acceleration of an old pattern—going back at least to the second half of the 1940s. Major U.S. interventions, both overt and covert, include: China (1945), Greece (1947–49), Korea (1950–53), Iran (1953), Guatemala (1954), Indochina (1954–73), Lebanon (1958), the Congo (1960–64), Cuba (1961), Indonesia (1965), the Dominican Republic (1965–66), Chile (1973), Angola (1976–92), Lebanon (1982–84), Grenada (1983–84), Afghanistan (1979–1989), El Salvador (1981–92), Nicaragua (1981–90), Panama (1989–90), Iraq (1991), Somalia (1992–94), Haiti (1994), Bosnia (1995), Yugoslavia (1999), Afghanistan (2001–present),

* Ronald Steel, *Pax Americana* (New York: Viking Press, 1967), 16–17, 268, 336.

REVIEW OF THE MONTH

and Iraq (2003–present). The enormous scale of U.S. military engagement is evident in the fact that its military bases gird the globe. Chalmers Johnson has written in his *Sorrows of Empire*, “As distinct from other peoples on this earth, most Americans do not recognize—or do not choose to recognize—that the United States dominates the world through its military power. Due to government secrecy, they are often ignorant of the fact that their government garrisons the globe. They do not realize that a vast network of American military bases on every continent but Antarctica actually constitutes a new form of empire.”*

The primary goals of U.S. imperialism have always been to open up investment opportunities to U.S. corporations and to allow such corporations to gain preferential access to crucial natural resources. Inasmuch as such expansion promotes U.S. hegemony it tends to increase the international competitiveness of U.S. firms and the profits they enjoy. At the same time U.S. imperialism promotes the interests of the other core states and of capitalism as a whole insofar as these are in accord with U.S. requirements. Such goals, however, frequently put the United States in conflict with other imperial states since an empire by definition is a sphere of exploitation in which a single imperial power plays the dominant role. Moreover, the logic of empire militates against all attempts to change the status quo in the periphery of the system—if not in the center as well.

For these reasons militarism and imperialism are inseparable for U.S. capitalism, as they are for capitalism as a whole. Although spending almost as much on the military as all other states combined, the United States finds itself constantly in need of more armaments, more new weapons systems, and more soldiers. As it relies increasingly on the military to maintain, and where necessary restore, its economic and political hegemony on a global scale the problem of imperial overstretch becomes chronic and insurmountable.

By the end of the Vietnam War the mask had been torn off the American Empire. In 1970 Steel issued a revised edition of *Pax Americana* with a new final chapter entitled “No More Vietnams?” The main thrust of this new chapter, written in a period marked by the looming U.S. defeat in Vietnam, was entirely opposed to the chapters that preceded it. “After Vietnam, the Dominican Republic, and the Greek junta,” Steel wrote, “it is not so easy for an American President to speak with a straight face of the nation’s foreign policy

* Chalmers Johnson, *The Sorrows of Empire: Militarism, Secrecy and the End of the Republic* (New York: Henry Holt, 2003), 1.

being based on the 'liberation of man' or the 'survival of liberty.'"^{*} Pax Americana was revealed as imperialism pure and simple.

Nonetheless, the American Imperium did not fade away with this loss of "face." The momentum behind such imperialism remained. Washington held on to its empire awaiting new opportunities for expansion. The empire struck back in the late 1970s and '80s under Carter and Reagan. The rapid decline and fall of the Soviet Union at the beginning of the 1990s opened up the way to a full-scale U.S. military intervention in the Middle East for the first time, with the onset of the 1991 Gulf War between the United States and Iraq. No longer simply intervening against revolutionary movements, the United States, now the sole superpower, gave notice to the world that a substantial departure from the global status quo in any direction would be met with overwhelming force. Noting this, Harry Magdoff and Paul Sweezy wrote in a July-August 1991 article entitled "Pox Americana":

The United States, it seems, has locked itself into a course with the gravest implications for the whole world. Change is the only certain law of the universe. It cannot be stopped. If societies are prevented from trying to solve their problems in their own ways, they will certainly not solve them in ways dictated by others. And if they cannot move forward, they will inevitably move backward. This is what is happening in a large part of the world today, and the United States, the most powerful nation with unlimited means of coercion at its disposal, seems to be telling the others that this is a fate that must be accepted on pain of violent destruction.[†]

With the rising death toll of both Iraqis and U.S. soldiers during still another war and occupation, with the atrocities and torture inflicted by the United States in Abu Ghraib prison and elsewhere leading to protests across the globe, with the barbarism of the U.S. intervention in Iraq in all of its aspects increasingly evident, it is more difficult than ever to maintain the illusion of the "benevolent imperialism of Pax Americana." The American Empire has truly become a *Pox Americana* in the eyes of the world, and exposure of its inner workings has become an urgent necessity. If the United States seems bent, as Magdoff and Sweezy suggested more than a decade ago, on playing "Samson in the temple of humanity" at least now there is a growing world awareness of that fact. The immediate task is to deepen this critical understanding in ways that will help equip humanity for the major anti-imperialist struggles that lie ahead.

* Ronald Steel, *Pax Americana* (New York: Viking Press, 1970), 334.

† Harry Magdoff and Paul M. Sweezy, "Pox Americana," *Monthly Review*, 43: 3 (July-August 1991), 1-13.

Referendum and Revolution in Venezuela

MICHAEL A. LEBOWITZ INTERVIEWED BY DERRICK O'KEEFE

The following interview of Michael Lebowitz, a long-time friend of MR now residing in Venezuela where he has been a close observer and commentator on that country's Bolivarian Revolution, originally appeared in shorter form on the Seven Oaks Web site, www.SevenOaksMag.com. It was conducted prior to the August 15 referendum-election on the presidency of Hugo Chavez. Our printing schedule makes it impossible to provide in this issue any discussion of the outcome of the election, which has not yet taken place as we go to press. But we wanted to offer MR readers this interview, which provides the context in which to judge the election results. We will be providing a full assessment of the Venezuelan election in an upcoming issue. —The Editors of Monthly Review

Derrick O'Keefe: August 15 has been set as the date for a referendum on the presidency of Hugo Chavez, who has won numerous elections and survived a failed coup d'état in April 2002. Is this referendum a make-or-break vote?

Michael Lebowitz: I think it is make-or-break, in many respects. But you have to put it in context—the opposition is trying to get rid of Chavez every way they can. They tried the coup in April 2002 and that failed. Then, they attempted to shut down the oil industry, and other industries, in order to cut off the life-blood of the government. They were very confident that they were going to succeed. This was early December 2002 and they figured Chavez would be out by Christmas. But that one failed completely, too. Chavez has always responded that, if you don't like me, we have a democratic mechanism in our constitution, the recall. To trigger a recall you need the signatures of only 20 percent of the number of

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people who voted in the last election. Chavez himself had recommended the right of recall to the Constituent Assembly which wrote the Bolivarian constitution. In fact, Chavez recommended a 10 percent trigger. He was not in anyway opposed to this concept; instead it's central to his ideas.

So, finally, the opposition proceeded to collect signatures. The explicit goal on the part of many of the opposition leaders was to obtain 3.8 million signatures. They wanted that because Chavez had received 3.77 million in his election. The feeling was that if they could get 3.8 million, then they could declare that Chavez was out. They would have demonstrated that more people wanted him out than had supported him. But even with the most incredible fraud, they didn't come close to that. I think the highest figure that anyone ever asserted was something like 3.6 million. There was enormous fraud. I was there during the process of getting the signatures and we could see cases where "itinerant" signature-collectors went off—supposedly to the hospitals for people who couldn't come to the tables—and no one was watching them. So, in the end, the electoral council accepted only 1.9 million signatures and there were another 1 million that had to be repaired, people had to come forward and confirm their signatures. In the end, they got enough to trigger the referendum. They got about 2.5 million, and they needed 2.4 million. But they just barely got enough, which shows that there was—as Chavez had said from the beginning—a mega-fraud going on. They announced 3.6 and they barely got 2.4 certified, so you know that one-third of them had in fact been faulty.

DO: A recent article on Venezuela in the *Washington Post* essentially accused Chavez of bribing the poor in that country, by using oil revenue to fund social programs. Perhaps they were upset that Chavez doesn't understand that bribes are supposed to go only to the upper classes. How are the new social programs, such as the literacy campaign, working to solidify Chavez's support?

ML: Well, the first thing is to recognize what Chavez has done with the oil company, Petroleos de Venezuela (PDVSA). The company was essentially a state within a state, with very little revenue going to the government, and much of it tapped by the oligarchy. Chavez ensured that resources generated by the oil company are directed to social programs, to the people. Now that's not unusual, this is the people's oil. People sometimes say this is bribery, but look at Alaska where the oil revenue goes to every citizen. It's simply their right. In Venezuela, the oil revenue is going to the people, but in a different way. It's going for programs that allow for better education and better health care, and it's also

going through the Bank for Economic and Social Development, through the Bank for Women, the microfinance fund, and it's also going to establish cooperatives. People are getting loans to create their own cooperatives—an enormous amount of money is going for that purpose. I've heard that there are one hundred thousand cooperatives waiting to be registered at this very moment under the Law of the Cooperatives.

These programs are in fact being used to transform the country. It's not simply social programs, for health, education, etc. The most significant program right now is called Vuelvan Caras, which is taking people graduating from the education programs and putting them into a new program focused on endogenous development. They will create new industries whose products, both agricultural and manufactured, will replace goods that must now be imported. Agriculture, especially, is critical. Venezuela has a warped economy; it has amazing agricultural land but imports 70 percent of its food. One of the focuses of the government is to reverse that situation, to create the infrastructure and conditions under which people will be attracted to work on the land, and will have the funds and equipment necessary to do so. They hope to achieve what Hugo Chavez has called "food sovereignty," the ability to rely on Venezuela's own resources.

DO: Early in his presidency, Chavez spoke of working to reverse traditional migration trends from the countryside to the city. What is the state of rural development, and of the process of land reform in Venezuela?

ML: They face a dilemma. They know what the long-term goal has to be—they have to bring development to the countryside, creating centers where people have amenities so they will want to stay in the countryside, rather than to be drawn to live in the hills around the cities. But they can't simply take the money, which is all coming from oil, and pour it into the countryside, because the mass of the people are in the cities. They have to satisfy the needs of people, and so they are caught in a dilemma: Should they meet the short-run needs of people or follow a long-run plan? If they don't meet people's expectations now, they're not going to be around for the long run.

The Minister of Planning has a vision of what can be done in the interior, but the social cabinet ministers are saying, no, we have to work on the cities. So, they've chosen the cities. The most significant social programs right now are in the cities, where people are, and that's critical. That's why they'll get a positive response from people, because they are meeting their expectations. The opposition says, look, there's still poverty, there's still

unemployment, and they've got to deal with that in the short run. But the long-term goal, and that's what Vuelvan Caras is about, is to create the basis for internal development and endogenous growth.

Land reform continues, though I don't have any figures. Some of the land that is being turned over is state land that was usurped by private owners through illegal means. In those cases part of the process is getting the land away from the private owners. Here everything revolves around the courts and legal mechanisms. It's important to remember that everything the Chavez government does is always through the legal process.

DO: That's the government, but have there been any cases of land occupations like those of the Landless Workers' Movement (MST) in Brazil?

ML: There are land occupations, especially with the indigenous people, though not on the scale of the MST. In many cases, one of the problems is that the legal process gets held up. I'm not sure they've passed all the laws that are necessary.

This is one of the many problems in the whole revolution. They don't have a significant majority in the National Assembly—at this point I think it's five—and they find it difficult to pass laws and everything is delayed. For example, the constitution calls for pensions for housewives, a very strong recognition of the economic contribution that people make working in the home. But the organic law, the law flowing out of the constitution, has not been passed yet.

DO: Getting back to the question of the national oil company, since this is the economic engine of the process, what are the dynamics within PDVSA, and what impact do any tensions have?

ML: I think, in general, the question of the opposition presence in the oil company was removed thanks to the fact that most of them left.

First of all, the cost of production plummeted after they were gone, even though production levels were maintained. Another thing is that they have these gigantic, wonderful, new buildings. Suddenly 18,000 people—the managers and high-level technicians—aren't there so the buildings are empty. About a year ago I went to the opening of the first Bolivarian University; it was in the old PDVSA building, with wonderful offices, luxurious classrooms. They bused students from the *barrios* who wanted to be in a university but had been rejected. It's all run, the Bolivarian University, on a democratic basis, which means students are making decisions on courses, and faculty who want to teach there have to pass a test, effectively.

But that's, a sidebar. In PDVSA, there are many charges that there are still some *golpistas* here, oppositionists there, and it's

hard to know whether it's true or whether it's gossip. The leadership of PDVSA is under Ali Rodriguez, he was a guerrilla fighter who went back and studied economics, and was the critic of the old PDVSA in the legislature for years. After Chavez was elected, Ali was head of OPEC at one point. He doesn't go out to inflame the opposition, he's very careful in his statements, but he's committed to making the oil company a success.

There's a new board of directors, which includes two representatives from the blue-collar unions, because the blue-collar workers kept working during the oil coup. One of the most significant things happening in PDVSA is that there's a movement from below of workers who are organizing something called the "guide committees." They are organizing from below for more workers' control of PDVSA.

DO: Internationally, the left, generally, and especially early on, kept its distance from Chavez. Some accused him of leading a top-down process, while others rejected a process that wasn't explicitly Marxist, or even ideologically socialist. Has the process in Venezuela changed from what it was a few years ago, and how would you define the process today? Where is the Bolivarian Revolution going?

ML: I think a lot of these criticisms don't amount to much. You have to look concretely at what is happening in Venezuela; it doesn't fit any models that we've seen before. I think the best way to get a sense of what Venezuela's about is to look at the constitution. It's an incredible constitution. The first thing I said when I read it was, who wrote this? It talks about the need to focus on human development, developing human potential. It focuses on a profound democracy and struggles and activity from below. Social movements were key in doing that, and I understand that the women's movement and the indigenous movement were especially active in shaping the character of the constitution. You look at that constitution, and you say, that's different from any model that I know. Of course, there have been beautiful constitutions elsewhere, the question is: Is it made real?

There are so many points where the revolution could have gone either way. Look, the opposition lived with the constitution until Chavez enacted 49 laws [urban land titles, cooperatives, hydrocarbon tax, etc.] by presidential decree—because he couldn't get them through the National Assembly—and that started to put meat on the constitution. The question is: Will they follow through? I'd say the process changes every step of the way, and what drives this revolution, and has driven this revolution, has been the opposition. The opposition protests and actions against Chavez have deepened

the revolution every step of the way. There were points where I think they could have made more accommodations with capital, but the actions of capital itself, and the actions of the United States in supporting the coup, etc., have created this wedge, have moved the revolution forward, just as I think this referendum has the potential of deepening the whole revolutionary process. I think that Venezuela is in a very unique situation, in that in many cases it can proceed toward creating an alternative to capitalism without directly confronting capital, because it has oil wealth.

DO: Would that then be some kind of a radical social democracy?

ML: I don't like the term, describing it as social democracy. I think there's a revolutionary process in which the outcome is unclear. I think that to be true to the constitution, and to Chavez's own personal sentiments, the revolution has to continue to become a socialist revolution in fact. But that doesn't drop from the sky; the most significant thing that's occurring is the growth in people's capacities through their struggles. For example, the constitution includes a very clear focus on local planning committees, a local planning process. But if you look at what's happening in practice—it isn't happening automatically. Even in Chavez controlled municipalities, the tendency is to want to appoint the local planning committee from the top, rather than from below. In community after community there are struggles from below against the traditional way of doing politics. There's no formula to determine who will win. That's always a question: who will win? That's going to be determined by people's struggles.

DO: The electoral process itself is always skewed against those who advocate for the poor, and for working people—we see the campaign of fear that happened earlier this year in El Salvador, for instance. How much longer can Chavez keep going to the electoral well?

ML: This revolution is different in a number of ways. Take the comparison to El Salvador, where you had this incredibly hostile media. Venezuela's had that media too. They have a law to regulate the media prepared, for radio and television, on responsibility in the media. Unfortunately that's one of many laws that haven't gotten through the National Assembly. Now Chavez, under the constitution, could decree them, but for national and international reasons, he cannot do that. He has to let this process go through the democratic mechanisms.

One of the interesting things I read just yesterday, however, was an interview with the editor of one of the pro-Chavez newspapers. He said the readership of the prominent national newspapers of the

opposition has plummeted. The circulation of *el Universal* and *el Nacional*—two key newspapers of the opposition—has fallen to 30 or 40 thousand. People aren't buying those newspapers. Apparently people aren't watching opposition television stations—except for the soap operas. There's an alternate media emerging. It happens through local, community radio and television, which is being fostered by the government as well. So I think it's a different situation from El Salvador, because people are less likely to be affected by what the opposition media says—they've heard it all. And, of course, Venezuela is not in as vulnerable a situation as El Salvador, where the threat of cutting off remittances from those outside Salvador was very significant. In the case of Venezuela, they've got oil. And the United States, which is heavily dependent on Venezuelan oil, doesn't want to lose Venezuelan oil. The Chinese are knocking at the door.

DO: What's your prediction for August 15?

ML: I wouldn't make a prediction. At this moment, things look very good, in terms of the organization and preparation for the referendum. But there are many wildcards—many things we can't know. Will the opposition come up with revelations of corruption? Are there going to be defections from the government side? Will there be wholesale acts of violence or a coup? There's a lot of money available from the United States to stop Chavez from getting ratified. The government knows this, they understand this, and they're preparing for every eventuality, but it's a struggle. At this point, I'd say it looks favorable. I don't know what it will look like on August 15.

MONTHLY REVIEW

fifty YEARS AGO

Who Leads the World?

Every United States schoolboy and most members of Congress know the stock answer to the above question: America! President Eisenhower stated it baldly in his inaugural message of January 20, 1953: "Destiny has laid upon our country the responsibility for world leadership." To the Newspaper Publishers Association on April 22, 1954, the President said: "History has decreed that responsibility of leadership shall be placed on this nation." Secretary Dulles in the policy statements following his speeches of December 14, 1953, in Paris and December 22, 1953, in Washington asserted that if the world did not answer this important question of world leadership to Washington's satisfaction there was to be instantaneous and massive retaliation. The Eisenhower-Dulles program calls for United States leadership—with bombs.

—Scott Nearing, "World Events,"
Monthly Review, September 1954

Argentina

Program for a Popular Economic Recovery

ECONOMISTAS DE IZQUIERDA

In 1976, a military dictatorship seized control of Argentina. A period of terror swept the land as 30,000 people were "disappeared." The dictatorship, with the support of the United States, opened the doors to neoliberal policies, undermining the import substitution programs that had supported an industrial base in the 1960s. The external debt reached \$35.7 billion by 1981, primarily as a result of borrowing by the private sector. In these pages in April 2002 (<http://www.monthlyreview.org/0402halevi.htm>) Joseph Halevi explained that in an attempt to attract more capital from abroad the military dictatorship absorbed the external private debt into the public debt, placing the burden on the lives of the poor. This action was eagerly supported by the International Monetary Fund (IMF) and deepened the relationship between multinationals, financial capital, and local business elites. The socialization of the debt continued even after the end of the dictatorship. The debt burden became a permanent problem, and inflation plagued the country.

In 1991, in an anti-inflation scheme pimped by then all-powerful neoliberal economists, the government tied the peso to the dollar on a one-to-one basis. A spiral of increasing debt was set in motion, as the private sector continued to borrow money, and the government took responsibility for this accumulating debt. In order to maintain the stabilization of the currency the government accelerated the process of privatization, while also reducing its public investments and funding of social services. The economic growth at the beginning of the 1990s, built on speculation and the flood of external debt, contracted during the latter part of the decade. By the end of 2001, Argentina was \$142 billion in debt. Peso-dollar equivalence ended, and the public's supposed dollar bank accounts were frozen. On December 19, 2001, millions of people took to the streets, chanting, "Everyone must go." The neoliberal regime collapsed. Short-lived successor regimes stopped payment on the debt, but could do little more than maintain the rudiments of public order while the economy contracted and a large portion of the population fell into unprecedented misery.

Two and a half years after its spectacular crash, Argentina seems to be entering a new political and economic phase. President Néstor Kirchner, elected in May 2003, has claimed that “the period of neoliberalism is over” and economic activity has recovered faster than generally anticipated. Payments are being made on a part of the debt held by favored creditors (above all the IMF), and international pressure to refinance and make payments on the defaulted debt has increased. Neoliberal economists remain totally discredited, but the Kirchner regime’s policy of partial payments on the debt, financed by revenues generated by severe restrictions on public spending, is applauded by a coterie of supposed “Keynesian” and “national” economists.

Questions remain: What happened to the external debt disaster? Is the enormous social crisis, for a moment extensively covered by the press and media, over? And even: Is Argentina, a neoliberal model in the 1990s of an “open, deregulated and privatized economy” now inaugurating a reverse miracle of a new type (perhaps to be termed Keynesian), a “national capitalism with a human face”?

The group Economistas de Izquierda (EDI)—Left Economists—born as an open assembly of critical economists in the midst of the big mobilizations of 2001–2002, has issued a “Program for a Popular Economic Recovery”; a shortened English version is set out below. It aims to offer not only a detailed analysis of the new situation and a source of new proposals, but is intended to be part of the existing intensive debate in left parties and labor organizations. This debate is part of a process that seeks to defend and extend the areas gained by popular power. —The Editors of MR

Though talk of Argentina’s “miraculous recovery” is now frequently heard, a basic feature of the existing situation is not openly acknowledged: the country’s dramatic social degradation has not been reversed, but has perhaps even deepened. This April 2004 document of the Economistas de Izquierda originates in response to the continued existence of an impoverishing economic model. This model must be examined and criticized. Our purpose is not only to analyze critically the actual situation and prospects, but also to present an alternative program based on an immediate recovery of employment and popular sector incomes.

We begin by examining three features that characterize the existing situation: the negotiation of the giant “defaulted” public debt, the fiscal surplus, and the upturn of the economic cycle. We then explain how a popular alternative program could be carried out.

The Pressures of a Privileged Creditor

The public external debt [*what the Argentine government owes to the rest of the world's public and private lenders—Eds.*] is the principal causal factor in Argentina's economic process, both because of its magnitude and the international disturbance provoked by the historic major default of a sovereign country. This situation has created an unprecedented level of foreign interference and continuous pressure from creditors: As these tensions will be present for a long time, it is essential to differentiate the usual controversies always present between creditors and debtors from the primary course of action promoted by the government in agreement with the International Monetary Fund. This strategy—a now standard requirement for highly indebted countries—is to offset the national liabilities with a substantial fiscal surplus [*a surplus of tax revenues over government spending, achieved mainly by cutting social welfare spending—Eds.*], one that generates massive popular misery. It has been decided that 3 percent of the Gross Domestic Product (GDP) will be targeted to cover commitments with privileged creditors: multinational institutions (International Monetary Fund, World Bank, Interamerican Development Bank) and national holders of public bonds issued after the "default" at the end of 2001. So far the other creditors remain excluded, and they are debating options such as debt-reduction and payments terms extension.

Economic Minister Roberto Lavagna, the primary Argentine economic spokesman of the government, as well as heterodox (that is, as opposed to the orthodox neoliberal "free market" economists now universally discredited) "Keynesian" or "nationalist" economists argue that with the first group terms must be fulfilled while with the second it is possible to delay payments. They never explain the reasons for this distinction, though sometimes they suggest that in this way a new recessionary crisis can be prevented. However, the fact is that the partial default of two and half years standing has not prevented the economic recovery and export boom, nor has it provoked significant retaliation overseas. The coexistence of recovery and foreign trade surpluses with the "default" indicates that the consequences of default have not been as drastic as previously supposed by economists. In any event, it must be noted that the crisis itself was not related to any rebellion by creditors, but rather to a series of funds transfers and governmental neoliberal "adjustment" measures that asphyxiated productive activity.

The "need to agree with the IMF" is a myth as arbitrary as the beliefs that were dominant during the 1990s. Then, it was pronounced that the fixed exchange rate of the local peso with the

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U.S. dollar was “immovable” and that “foreign banks in the local financial system guarantee solvency.” Now it is asserted that it is essential to reach agreement with the global financial institutions in order “to keep Argentina in the world.” Notwithstanding the certainty with which it is stated, the argument is false. In fact, the permanent and rigid link to these institutions brought the country to the financial brink, and then beyond into actual breakdown. Payments to the IMF have a more oppressive effect in reality than any supposed loss of the Argentine place in the international financial universe, as they are funded by popular misery.

Multilateral institutions have collected nearly us\$10 billion net from Argentina since the beginning of the default. In fact, in the midst of a social disruption of world historical proportions, the global institutions have not refinanced existing commitments but have absorbed resources to reduce their financial exposure. Nonetheless the more money they collect, the more they want. Each quarter, fiscal figures are reviewed by an IMF team, and if it observes improvement in fiscal income, more money is claimed. The respite expected by Minister Lavagna after each agreement is a fiction. The IMF acts on behalf of other creditors and capitalist groups, and it is their voice that is demanding endless concessions.

Up to now the U.S. government has been the major beneficiary of this situation, as it would have primary responsibility for a major replenishment of IMF funds in the event Argentina defaults with that institution. That is the reason President Bush now praises President Kirchner. Previously, the U.S. treasury made much of U.S. bank balance sheet revisions to cover losses in order to demand new harsh conditions, while overlooking the fact that many of the same U.S. banks had made vast sums from the sale of Argentine bonds. But the honeymoon with the U.S. establishment never lasts. The U.S. treasury will praise or insult their middlemen as their immediate interests demand, and this is the reason the disrespectful treatment that prevailed in 2003 can reappear at any moment.

A new round of hostility would simply aim to make Argentina expand its payments. Any hope of preserving cordial relations with the multilateral institutions while negotiations are carried on with other creditors is baseless. The IMF collects payments while maintaining a permanent blackmail. In periods of recession it demands payments to encourage “investors to come back,” and in the periods of expansion it claims the immediate fulfillment of all it was previously promised and more. Always more has to be paid. If the country is on fire it is affirmed that payments are needed to quench the flames. If the economy is expanding, it is explained that it is essential to demonstrate that “contracts are respected.” In

these conditions an economic expansion permits no respite, if not in fact becoming the occasion for a further nightmare of IMF extortion.

The U.S. government is the principal agent of Argentina's creditors and defends their interests with whatever arguments are at hand. For example, even while pressuring Argentina for payments on its gigantic debt, the United States argues that Iraq's obligations to Europe should be declared "odious" in order to make funds available for the contractors supplying torture "services" to that raped and invaded country. Due to this double standard in defining creditors' behavior, it overlooks the fact that Argentina's debt is every bit as odious as that of Iraq. Just as with Iraq, the ever-increasing burden of debt was born in a military dictatorship. It grew through credits the ruling elite granted to themselves and secured by exchange rate insurance that was permanently renewed. This debt was created to cover deficits that financed capital flight and subsidized the most powerful business interests. For example, between May 2002 and today the total debt has expanded from us\$114 billion to us\$178 billion. Instead of rejecting this swindle the government acts to legitimate it.

Neither Explicit nor Hidden Misery

A second group of privileged creditors includes the banks and national business groups that received bonds issued after the default. Argentina's total debt is us\$179 billion. Of this, us\$95 billion is in default. Of debt being serviced, 26 percent (us\$22 billion out of us\$84 billion) is represented by bonds called BODENs. Principal holders are banks that had confiscated the savings of small investors during the crisis and big firms that benefited from the devaluation.

Those "heterodox" analysts who strive to demonstrate that the existing government "has changed the model" should check the continuity of public subsidies to those groups that benefited from the end of "convertibility" [*of pesos into dollars at the fixed exchange rate of one for one—Eds.*] The local establishment praises Minister Lavagna not only because of the business recovery, but also because their privileges have been preserved. This is the reason why chambers of commerce look with favor on the fiscal surplus; they are now well placed to collect a debt that will be paid by the entire population. Economists usually argue that the "new debt is different" and must be paid without delay. Why this is so is not explained; the hidden reason is the close and critical relationship between the government and local capitalists.

The payment suspension has so far then affected primarily the

foreign bond holders. Forty-four percent of these creditors are small investors (particularly Italian, Japanese, Dutch, and German) who were induced by banks and investment funds to buy highly risky Argentine bonds. These institutions should bear their clients' losses, not the Argentine state that has been strangled by these same usurers. The government rejects this logical reasoning because it is inadmissible, indeed unthinkable, to the IMF. That is the reason why it has instead proposed a 75 percent reduction in the face value of the debt, or the issue of new longer-term bonds, or lesser interest rates, or returns related to the expansion of growth. Any of those alternatives would impose tremendous sacrifices, as they would create an endless vista of fiscal surpluses.

So far, only one "purse" of three percent of the GDP—estimated to be over us\$4.5 billion—is committed to pay all creditors, but it appears that this percentage is committed permanently. After the events of December 2001, officials don't dare to declare openly that the debt will be paid with "the hunger of the population," but silently they impose massive sacrifices. Intermediary banks that are negotiating a solution to the default will collect nearly us\$200 million in commissions alone.

Public officials offer messages adapted to their audience. They lie when they affirm that the "adjustment is over." They are sincere when they ask the public to pardon the crimes of the big creditors. The requirement should be the other way round: banks and hedge funds should ask the pardon of the great majority of the population.

Some supposedly progressive journalists and analysts applaud statements by President Kirchner against "speculators and neoliberalism." But the rhetoric masks the fact that the promised payments mean that miserable wages and salaries will remain frozen although inflation is growing, even while the country is going through an exceptional period of growth and trade surpluses.

This scene presents a false dilemma. While 3 percent of GDP is a substantial amount sufficient to restore popular incomes and employment, and to cover basic social needs, the surplus is considered small and uncertain to those who appropriate it. The explicit misery advocated by the orthodox neoliberal economists and the hidden one promoted by the heterodox are two variants of antipopular policy. The real alternative is to use the entire fiscal surplus for the urgent needs of the population.

The 3 percent surplus is aimed at reimbursing a debt that has already been paid and was abusively refinanced. It is estimated, for example, that the interest charges paid on Argentina's public debt between 1991 and 2001 (us\$93.9 billion) was equal to the total amount of credits the United States extended to Europe through

the Marshall Plan. This is the reason why, instead of asking for a new and better version of a perverse imperialist mechanism, we should simply demand that the looting stop. Argentina would not need more credits if it were to suspend payments on its extortionate liabilities. This should be the basic point of departure for an alternative program.

The results of the priority now placed on servicing the debt can be demonstrated simply: in the 2004 national budget total expenditures for education represent 29 percent of the surplus committed to cover debt payments, social development 20 percent, and health care only 12 percent. Meanwhile as inflation gathers force and incomes remain frozen, it is expected that this year real incomes in the public sector will fall at least 7 percent and over 2.7 percent in the case of pensions for old people.

Feeble Recovery and No Real Growth

The 8.4 percent GDP growth during 2003 surpassed official expectations, and the 5 to 6 percent expansion anticipated this year is also well over initial forecasts. The recovery is centered not only on an export boom based on the big devaluation of the Argentine currency (prior to December 2001 one U.S. dollar equaled one peso; currently one U.S. dollar equals 2.9 pesos), but also on current high international prices for commodities and exceptional international liquidity due to the global flood of U.S. dollars available at low interest rates—a consequence of the vast U.S. current account deficit and loose monetary policy. A limited degree of import substitution plus some recovery of consumption in the middle and high income sectors have also contributed to the recovery.

Nonetheless, it is not surprising that there has been a rebound after the most severe economic depression in Argentina's history. The GDP recovery is not related to a supposed "change of the model," but rather to the fluctuating nature of the capitalist accumulation process and to the magnitude of the previous downfall. If it is remembered that the country's depression extended for four years and ended with a gigantic 10 percent fall in GDP in the year 2002 alone, the recovery would be understood as a cyclical reaction to the collapse and to the short-term predictable expansion of exports due to the devaluation combined with the coincidence of (for the moment) high prices for export commodities. Even if the current exceptional tempo of expansion was to be maintained through the year 2005, production would only then return to 1998 levels.

The dependence of Argentina's economic cycle on favorable financial (influencing capital movements) and trade (export price

and volume) conditions is growing every year. This development is similar in all Latin American countries. The region has recovered in the most recent period thanks to high prices for raw materials (soybeans, oil, and copper) and the ready availability of funds that have not been able to find profitable investment in developed countries, due to increasingly lower interest rates. As is widely recognized, this positive phase could turn negative in line with the highly volatile background of international financial markets and the eventual resolution of the unsustainable explosion of cheap dollars generated by the vast and increasing U.S. current account deficit.

In any case, the recovery has not reversed the deindustrialization and return to reliance on the export of primary products (dubbed "re-primarization") that has characterized the last decades. On the contrary, the new "soybean dependence" is widening the fracture of the social structure in farming areas. Even during the current export euphoria small farmers have not been able to cancel their debts, and over two million hectares are menaced by mortgage foreclosure. The preeminence of a single crop of genetically modified soybeans destroys crop diversification and establishes transnational corporate control over the supply of seeds and over the process of production and sale. The result is the disappearance of 150,000 small producers between 1992 and 2001 and an ever-growing concentration of land ownership.

The dominant fact of the short-term recovery has been the overall restoration of capitalist class profits. Enormous benefits have been reaped not just by the initial winners of the devaluation and "pesification" [*the paying back of debts that were promised to be paid back in dollars or dollar equivalents with devalued pesos—Eds.*], but all big business groups today show high yields. High rates of profit have been restored in steel (Siderar, Acindar), oil (Respsol, Petrobrás), privatized public services (Telefónica, Telecom, Edenor, Central Puerto) and companies that serve the domestic market (Loma Negra, Grimoldi). These extraordinary yields have been achieved without risk or investment. They should be subject to a special tax aimed at reactivating popular consumption.

Neoliberal and Keynesian economists alike applaud the government because "it has prevented the worst outcome" (that is, hyperinflation). But the main beneficiaries of the government's achievement are big capitalist groups. For most of the impoverished population, the worst outcome *has* happened—both before and after the devaluation. The crisis hit bottom, and the economy has now recovered with dazzling incomes for the enriched minority. But the afflictions of the majority have not been reversed and have even dramatically worsened for many.

Official statistics indicate that 60 percent of the population lives below the poverty line, 20 percent are unemployed, and 44 percent of those working have only informal, temporary, and very low-paying jobs. Government officials affirm that "the social agenda is pending," but they don't say when it will come about. In fact, they expect, without any foundation, a long-term recovery of employment and salaries. They are betting on continued support from what, for all their efforts, would be several poverty-stricken generations resigned to a miserable fate.

We find this resignation unacceptable. This is the reason why, instead of celebrating the capitalists' benefits and hiding the people's sufferings, we propose a program based on the immediate recovery of the purchasing power of workers, the unemployed, pensioners, and other popular sectors. This plan is based on three pillars: the funds now placed in service of the public debt, a progressive fiscal reform, and an extraordinary tax on recent exceptional gains attained by big business groups.

Universal Grant for Food and Education

The first measure for a popular economic plan is to put into practice without delay a universal plan to offer food and education to all the population. The monthly cost of a basic basket of food for a two-child family is officially estimated to be 327 pesos (us\$113). A guarantee of this minimum right to the entire population has to be the first step for any project aiming to reverse the social disaster. This amount should be complemented with a 45 peso (us\$15.50) allowance for each child to make it possible for families to pay the basic costs of education.

To establish this subsidy—which many organizations argue should be around 380 pesos—it is vital to make the "right to live" a reality. To eat every day is a fundamental right, and it cannot be made to depend on the contingency and uncertainty of employment. This undisputable basic right must be assured through a universal subsidy. The absence of this right in a country such as Argentina—the fifth leading food exporting country—is particularly reprehensible.

Implementation is urgent, because, since the big devaluation in December 2001, prices have risen 46.7 percent and family food product prices have gone up by 74.9 percent. It is estimated that 35 percent of the population is not getting enough food. Worse yet, experts are detecting a new generation of "socially caused small persons," meaning people whose height has decreased compared with prior generations because of the cumulative effects of malnutrition.

The grant could make possible the immediate elimination of the indigent state of 25 percent of the population and should totally replace the existing plan, called the Head of the Family Plan (Plan Jefes y Jefas de Hogar), with a universal system that abolishes the arbitrariness of the existing system. Social insurance must not depend on the goodwill of public officials or the calculations of political bosses.

The government rejects the implementation of this primary right because it gives priority, in the disposition of its growing resources, to paying public debt. In addition, a universal system is not consistent with the system of patronage crucial to the traditional political parties. And finally, official opposition to a universal grant is supported by the employers, who fear that the subsidy could be a serious hurdle to keeping wages and salaries depressed. If all families could be assured of 380 pesos, no one would work for less.

To keep a big part of the population in absolute misery is a premeditated aim of business sectors opposed to any recovery in wages. Right-wing sectors are devoting great energy to a campaign against "unemployed vagrancy." The government reflects this pressure and supports a proposed grant of 150 pesos per newly employed worker as a subsidy for those firms hiring unemployed persons. This initiative is supported with enthusiasm by the "free market" champions from the World Bank and is presented as an alternative to the universal subsidy.

Any progress toward the universal grant for food and education would be a great victory for the people. The costs of the plan are affordable. If to the actual 2,000,000 beneficiaries of the Head of the Family Plan are added those 900,000 who are registered but not receiving any benefits, 9.5 billion pesos (us\$3.275 billion) would be needed yearly to guarantee its total implementation. This should be the real public priority as opposed to insatiable debt payments (12.5 billion pesos), the amount provided to cover losses suffered by the banking sector (20 billion pesos), or the vast subsidies provided openly and covertly to big local and foreign economic groups.

Four Ways to Create Genuine Work Alternatives

Although the government had intended to mask the cruel social drama by claiming that the beneficiaries of the Head of the Family Plan are not unemployed, official statistics place the unemployment rate at 21.3 percent. Even during last year's record-breaking recovery, the situation improved just marginally. This is evidence of the feeble relation between employment and GDP growth that is now a worldwide feature of capitalism and that acutely affects Argentina.

A forecast prepared by International Labor Organization (ILO)

experts indicates that at least 20 years with strong expansion would be needed to reverse the brutal reduction in employment suffered in the economic depression of 1999-2002. Recovery cycles do not restore employment in a dependent and peripheral economy to the same degree as in a core industrialized economy. The elasticity, i.e., the strength of the relationship, between employment and GDP has noticeably contracted in the last decades of deindustrialization and re-primarization of Argentina.

Neoliberal economists, and some well-paid comfortable "experts" at various Non-Governmental Organizations (NGOs), have argued that an expansion of employment in the "informal sector" counteracts the horrors that have everywhere followed imposition of free market neoliberalism. But the terrible prospect of chronic unemployment cannot be reversed with the simple multiplication of informal undertakings. Even less by an impossible "return to the fields," as Argentina is one of the most urbanized societies in Latin America (over 90 percent live in urban centers). These informal undertakings are desperate (but dignified) survival schemes engaged in by millions of people hoping to offer some little comfort to their families. Even the best of these initiatives, organized as cooperatives, lack the necessary tools, credits, technology, and trade networks, and are strangled by the competition of big firms.

The tragedy of mass unemployment cannot be solved spontaneously. However, the creation of genuine employment alternatives could be achieved, in four different ways:

First, the eight-hour working day should be enforced at all employment levels. Ironically the lack of work suffered by "excluded" sectors is the other side of the coin to the overwork imposed on the "included" sectors. Working hours in Argentina (2,000 hours per year) surpass the average annual hours worked in Europe, Brazil, and Mexico. The strict implementation of the normal maximum eight hours of work could create immediately 900,000 jobs.

Second, a public works plan should be implemented, centered in construction, and financed by the three previously mentioned resources of the popular program (debt, fiscal reform, and emergency tax). The generally agreed estimate is that an expenditure of six billion pesos could mean the creation of 200,000 jobs.

Third, a mechanism should be implemented that requires the expansion of employment in those firms with high profitability. Over many years, and with different programs and administrations, it has been demonstrated that "incentives" to promote employment (such as tax breaks and soft credits) have wasted public funds without improving employment levels. For this reason a radically

different course should be followed that links profits to the creation of new jobs. The creation of productive work that meets social needs is a challenge to be met by all of society; it cannot and must not depend exclusively on the self-interest of managers or capitalists. It is unacceptable that sackings are synonymous with efficiency. The aim of any economic process should be the expanded organization of work to meet unmet social needs, and not the destruction of jobs in the name of profit.

Finally, public support should be assured to workers' self-administrated factories and small enterprises. Experts in the Ministry of Social Development estimate that under existing conditions just 20 percent of these projects could survive, as most lack basic resources necessary to face capitalist competition. Nonetheless, in a context of genuine employment expansion these enterprises could play a very positive role.

An Overall Improvement of Salaries

The inflation that followed devaluation provoked a general but unequal reduction of real incomes. Informal workers were hurt the most, as their average monthly income is 313 pesos (us\$110), and the impact of major hikes in food prices has been terrible. This sector receives miserable wages and is not covered by social security, retirement, or health plans. They are not protected by the laws that govern working conditions and compensation. The world of informal employment that involved 25 percent of the workforce at the beginning of the 1990s is now the fate of 45 percent of all workers. Poverty affects, then, not only the "excluded" but also nearly half of the "included."

To end this situation, it is necessary to force the legal registration of all workers. This step is vital to correct the brutal division of the labor market. Without the incorporation of these workers into the formal universe of social and legal protection, no official measure will have any real effect. The highly publicized announcements of marginal minimum wage increases, absent this step, will continue to reach no more than 20 percent of all workers.

The aim of the popular economic program should not be to legalize the existing misery, but to reverse it through a real increase in minimum salaries. The increase should mean an effective floor for all workers. This level cannot remain at the existing 350 pesos (us\$121) established by the government. It must be near the 716 pesos (us\$247) officially recognized as necessary to cover a basic total basket of goods and services—the lowest amount needed not to be classified as poor. It makes no sense to speak of a "minimum salary" at any lower level.

Another sector is composed of formal workers, whose average salaries are estimated nowadays to be 718 pesos (us\$248). For them the post-devaluation deterioration was not as harsh as in the informal and excluded sectors; some compensation was granted to them. It is estimated that their wages have fallen around 20 percent since the end of 2001. Meanwhile, during the same period, the benefits of the vast gains in productivity that have been observed in most sectors have been completely absorbed by the employers. Wage costs for firms are at the lowest level since 1990.

Public employees comprise another sector. Their salaries have been kept strictly frozen at the demand of the IMF. The fiscal surplus program was established and maintained with this restrictive condition, unmodified in the face of the unexpected increases in public revenues.

A popular economic program must be centered in the recovery of purchasing power. An immediate 20 percent salary hike in the private sector and 30 percent in the public sector, together with the proposals set out above, would engender a recovery that could cover the whole population.

It is false to claim that "there is no money for everybody." More than enough resources are available if debt payments cease (12.5 billion pesos), a progressive tax reform is introduced, and a tax is levied on recent extraordinary profits.

EDI has also elaborated proposals to cope with other basic aspects of Argentina's economy, such as the situation of privatized firms, the collapse of the private financial sector, the situation in the farming and industrial sectors, the problems of the regional economies, and the need to introduce without delay an investment plan addressed to the decaying basic infrastructure. Our commitment is to study alternatives not only as to what must be done, but also how to do it.

A Contribution to the Popular Movements

The current political context in Argentina is very different from that of early 2002, when we put forward our first document (published in English by *Monthly Review*, April 2002). The country is neither living through an explosion such as that of the end of 2001 nor the gigantic collapse of all economic activity that marked 2002. Nonetheless, the misery and suffering of the majority of the population remains the same, and for this reason our proposals are timely and relevant.

The members of EDI have set out to analyze the distinct pattern of each phase of the process that has Argentina in its grip, observing cyclical behavior, the evolution of the productive system,

and trade and financial trends.

We do not aim to compete with any foundation or consulting firm, to quantify variables, or to make short term forecasts. Our goal is different. We aim to contribute positively to the extensive movements fighting against neoliberalism and capitalism. We gather proposals, programs, and local publications that arise from the popular resistance, and develop their content. Our aim is to transform concepts in programs and local announcements into solid proposals. We seek to offer arguments against fashionable but regressive economic opinion, particularly those presented as "progressive" but justifying exploitation, unemployment, and the degradation of working people.

This ideological battle is much more important (and much more complex) now that the governments of Latin America hide their actions with anti-neoliberal rhetoric, though maintaining the same basic anti-popular political, social, and economic models. As economic free-market orthodoxy has lost leverage, heterodox ideas have taken their place continuing to justify the status quo as inevitable, natural, and without alternative. The members of EDI reject this naturalization of misery and openly oppose those economists who are applauding the existing course. We continue to promote debate of those measures that could make possible economic reconstruction in favor of the popular majority.

This is a favorable moment to advance this project because the dominant classes have partially restored political stability and economic growth but have not been able to deactivate social protest. A new movement to battle for basic social change based on labor, the unemployed (*piqueteros*), and the parties of the left is today a vital and real possibility. We present this document of the Economistas de Izquierda as a contribution to the elaboration of a common economic program.

Signed by Luis Becerra, José Castillo, Eduardo Crespo, Alfonso Florido, Guillermo Gigliani, Eduardo Lucita, Claudio Katz, Jorge Marchini, Andrés Méndez, and Pedro Resels

Buenos Aires, April 2004

Haiti Matters!

CHARLES McCOLLESTER

Arriving at the Hotel Oloffson in Port-au-Prince on the eve of the new year, 2004, the bicentennial of Haiti's independence, tension was thick in the air. Street violence was mounting but still mostly under control. Clashes took place between opposition demonstrators and police or between anti- and pro-Aristide forces. Since the hotel is near the university and its hospital, we witnessed several groups of 100 to 200 anti-Aristide student demonstrators jogging in cadence toward police with signs and banners shouting slogans—*A bas Aristide! Down with Aristide!* Since my previous trip in June, anti-Aristide slogans had blossomed in some areas of Port-au-Prince, while pro-Aristide graffiti retained its hold in the poorest districts, smaller towns, and rural areas. Our visit to the towns of Fondwa and Jacmel in the south was eventful in the normal Haitian way, but peaceful. Back in the capital, at the end of our five-day trip up-country, cars were being torched, boulders rolled on roads, and gas stations and banks closed in antigovernment actions.

Upon entering my hotel room the phone rang. I answered the phone and heard the voice of Michelle Karshan, the indefatigable foreign press representative for President Aristide. She said: "Charlie, get down to the palace. The president is going to have an open session with the foreign press and I'll have your pass." I hitched a ride with a taxi carrying an Italian female and two French male journalists. The palace area was full of people in a wide variety of uniforms displaying a diverse collection of rifles and side arms. Despite the tension and anxiety surrounding the guests and entertainers in the palace (the Dahomey Ballet was one group), the press was treated with respect and the security was functioning.

President Aristide was meeting with a delegation from Taiwan, a government that has always been grateful to Aristide for Haiti's diplomatic recognition. The 40 or so members of the foreign press were allowed to take pictures of Aristide and the Taiwanese and then were moved to one end of the long presidential conference

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room while Aristide, his Haitian-American wife, Mildred Trouillot, Congresswoman Maxine Waters, and their entourage were grouped at the opposite. When Aristide made his initial statement in English, he was challenged by a reporter from Martinique to speak French. He answered in French that since this was a joint conference with the American Congresswoman, he had opened with remarks in English. That said, he completed his statement in English and repeated it in fluent French and Spanish. Occasionally he'd make a reference or quote a proverb in Kreyol, the everyday language of ordinary Haitians. About half the questions were explicitly or tacitly critical of his handling of the political crisis, especially police tactics with the opposition demonstrations. Aristide spoke eloquently about the meaning of Haiti's bicentennial celebration of freedom from slavery and asserted the importance of democracy and diverse voices. He also asserted that protestors should obey the law and work with the police. Violence had broken out between police and demonstrators over marchers staying on permitted routes.

Aristide thoughtfully answered questions for nearly an hour, in four languages. He repeatedly appealed to the opposition for negotiation and reconciliation. Toward the end of the press conference I caught the president's eye, identified myself as from Pittsburgh and posed the following question: "As an American it pains me that the present U.S. administration, itself installed by neither a plurality nor a majority of American voters, should question the legitimacy of Haitian elections. Given this intense American interest in Haitian election procedures, do you have any comments on the upcoming American presidential election?"

This question provoked audible gasps from the assembled press. Aristide answered slowly with a slight twinkle in his eye: "I would certainly not want to interfere in the internal affairs of another country." After the press laughed, he added very seriously. "What however is admirable about the Americans is that once the legal processes were exhausted and a decision was reached, the American people accepted the result and the government was able to govern. This is unlike Haiti where neither internal nor external forces have allowed the government to govern."

That indeed is the crux of the matter. The United States in collusion with France blocked international assistance to the duly elected government of Jean-Bertrand Aristide and demanded repayments on debt incurred by past dictator regimes it knew the government couldn't pay. At the same time, the United States and France funded a wide range of antigovernment organizations in the name of promoting democracy. While Aristide tried to negotiate with the hydra-headed opposition, his opponents steadfastly refused

any compromise short of his removal. They knew that they could not defeat Aristide in a fair election, so they boycotted the 2000 presidential election, leaving Aristide 92 percent of the vote. In subsequent legislative elections that the United States and France characterized as flawed, Aristide's party won a plurality but not a majority of votes in the election of nine senators. In a supreme act of hypocrisy, the Bush administration, renowned for its devotion to democratic niceties, worked with France to block direct aid to the Haitian government on all levels.

By squeezing the government and feeding the opposition, the actions of the United States and France generated the chaos which served as the pretext for the intervention by U.S. and French forces and Aristide's forcible removal from office. Given the weakened condition of the Haitian state, a small group of ex-Army and paramilitaries with extremely unsavory backgrounds, based in and supplied from the Dominican Republic (allegedly by American sources), provided the coup de grâce. Now warlord gangs roam the countryside targeting Aristide supporters and silencing any voice raised in opposition to the new order.

The Weight of History

Haiti's eight million people occupy the western third of the Caribbean island of Hispaniola. Christopher Columbus arrived there in 1492 on the feast of St. Dominic and gave it the name of San Domingo. The native Taino and Arawak peoples who were virtually exterminated by the Spanish called the island "Ayiti," a name preserved by the former slaves when they achieved an independent republic on January 1, 1804. Independence was only won after more than a decade of fierce fighting. The rebellion began as a slave uprising in 1791 on the plantations of the northern plain led by escaped slaves gathering in swamps and forests with their leader Boukman, a *houngan*, or Vodou priest. The vast majority of slaves were first or second generation Africans. Under the brilliant general Toussaint Louverture*, the Haitians organized disciplined military formations to complement constant guerilla activity. The French, desiring to retain control over their richest colony, repeatedly attempted to defeat the Haitians without success. In 1803, the Haitians defeated a 40,000-man expeditionary force led by Napoleon's brother-in-law that was sent to recapture Haiti and restore slavery. Toussaint however died a captive by treachery in a French prison that spring without seeing independence achieved.

* Readers may be more familiar with the spelling "L'Ouverture," which means "the opening." The author prefers "Louverture" because it is believed to be the way Toussaint signed the evocative nickname he adopted at age 49.

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That precious declaration of independence was issued by Jean-Jacques Dessalines who himself died a violent death two years later in 1806 beginning a near unbroken line of Haitian rulers overthrown by force and violence.

In fact, the only peaceful electoral transitions in Haitian history were Aristide to Preval and Preval to Aristide; however neither of the Aristide presidencies was completed due to violent interruptions. It is also eerie that Aristide like Toussaint was seized under clouded circumstances and taken to a French military garrison town; however, Aristide escaped Bangui while Toussaint died in his cold and damp cell in the rugged Jura Mountains. Aristide was certainly deeply aware of the historic parallels as his statement from exile echoed the last words of Toussaint: "In overthrowing me, you have cut down in San Domingo only the trunk of the tree of black liberty. It will spring up from the roots for they are numerous and deep."

The CIA's Haiti fact sheet lists unemployment today at 66 percent but then says that two-thirds of the economically active workforce depends on an agricultural sector consisting primarily of subsistence farming.* The fact is that the money economy doesn't impinge much on the countryside. Haitian agricultural exports are declining and undervalued. The Gross Domestic Product (GDP) per capita of about \$470 is very unevenly distributed. The inflation rate runs at more than 15 percent annually, and, as the Haitian gourde depreciates, the costs of imports rise. A year ago, a dollar bought 25 gourdes; now the rate set by the occupiers is 40 gourdes to the dollar. More than half of the children of Haiti suffer from some level of malnutrition.

Haiti is the poorest of nations, yet the most proud; the most despoiled and the most fiercely beautiful; apparently the most abandoned, yet the most deeply religious. The only slave rebellion in human history to achieve national independence by force of arms, Haiti's defeat of Napoleon's army 200 years ago last year caused the French emperor to sell the vast Louisiana territory to the United States, thereby doubling the territory of the United States. The blood of revolutionary slaves (and the yellow fever it carried) made our nation a world power.

However, instead of American gratitude to Haitians for undermining English and French imperial pretensions in the Caribbean when we were yet an infant nation, the republic of Haiti has historically been an object of contempt, ostracism, and intervention by the mighty republic to the north. The United States

* Central Intelligence Agency, *World Fact Book 2004*, <http://www.cia.gov/cia/publications/factbook/geos/ha.html>.

invaded and occupied Haiti from 1917 to 1935 and, as Paul Farmer demonstrated in his important 1994 book, *The Uses of Haiti*, for two centuries of U.S. policy, Haiti has served as an object lesson to demonstrate the incapability of blacks to govern themselves. This thesis underlies the cynical and cruel attitude of the "Baby Bush" administration and remains the core of U.S. policy toward Haiti today.

Remember, this is a nation whose army was dismantled under the muzzles of American guns by a popular uprising in the fall of 1994 and legally abolished by presidential decree in 1995 counter to the wishes of the occupiers. Unlike today's Iraq or the bitter Haitian resistance of Charlemagne Perrault to the American takeover in 1917, no American soldier was killed during the "immaculate invasion" and subsequent occupation from 1995 to 1997. U.S. Marines and Special Forces entered Haiti with a popular legitimacy derived from the restoration of the democratically elected government. Aristide's aura was better protection for U.S. soldiers than flak jackets. The 1995 Haiti invasion experience stands in stark contrast to recent events in Iraq. The bloodless restoration did not win Aristide any gratitude from the U.S. government however. In fact, it was the dissolution of the Haitian army, the primary instrument of American influence and control over Haiti that hardened U.S. hostility toward his regime.

The third American-led occupation of 2004 is untenable and marked like Iraq by a total lack of an exit strategy. It cannot even pretend to have a rationale for the restoration of democracy. The critical need in Haiti is for credible, democratically accountable, competent institutions that work. The tragic history of Haiti is written in the blood of its leaders who died violent deaths in office. The Aristide and Preval elections represented the fairest national elections in the nation's history and accomplished peaceful transfers of power. These transitions marked an extremely precious democratic experience—the orderly transition of power through free elections. None of this matters to an American elite that intensely dislikes Aristide for his independence and resistance. The United States was prepared to violate basic democratic processes to impose its will. The Franco-American occupiers installed as premier Gerard Latortue who came direct from a wealthy gated community in Florida—that bastion of fair election counts and transparent governmental procedures—to immediately embrace the thugs and gunmen publicly advancing their claim to be the reconstructed Haitian army constituted by an act of the U.S. Congress during the first American occupation.

The shadow of the bicentennial of Haitian independence falls

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heavily across the present political crisis. Deep historical fissures in Haitian society are exacerbated by the churning of both glorious and bitter historical memory. Gonaïves, where Haitian independence was proclaimed by Jean-Jacques Dessalines in 1804, was the initial target of the anti-Aristide forces. Political conflict raged there as various pretenders to the mantle of Dessalines fought for control. At the bicentennial commemoration there on January 1, 2004, Aristide and Thabo Mbeki, the president of South Africa, were barely able to preside over a short celebration as street clashes and gunfire erupted.

As the 200th anniversary of the Haitian revolution approached, a campaign was mounted by President Aristide to demand reparations from France. In 1825, France demanded payment of 90 million gold francs in reparation for French property seized by the rebellious slaves before it would accord recognition of independence. Up to 60 percent of the Haitian governmental budget in the 19th century was dedicated to satisfying this shameful demand. On the bicentennial anniversary of Toussaint's death in a cold, damp French prison, Aristide's government asked France for reparations in the amount of 21 billion dollars for the imposition of slavery—an amount equal to the value of the gold extracted from Haiti. France has rejected the demand haughtily citing two billion dollars of aid received by Haiti from all donors since 1994 “with little positive effect.” Of that total, the French share was \$200 million.

France it should be noted is also unhappy concerning the assertion of Kreyol over French as the dominant language of government under the Aristide-Preval regimes. The downgrading of French undermines the mulatto bureaucrats and intelligentsia with Paris educations, social standing, and pretensions of cultural superiority. The United States also owes something to Haiti. Arguably its debt is greater than that of France. American foreign policy for most of the past 200 years has been hostile and dedicated to keeping the black nation marginalized and impoverished: an object lesson about the failure of independent aspirations and national autonomy—an object lesson about racial inferiority.

On August 31, 2003, in Pittsburgh, reenactors launched a replica of Meriwether Lewis' keelboat at the forks of the Ohio to mark a different, but interrelated bicentennial—the Lewis and Clark military voyage of western exploration into the heart of Indian country, an event that some argue was among the most important events in U.S. history. Amidst the celebrations of this imperial expedition into the unknown vastness of the North American continent that will stretch out over the next three years, no attention has been paid to the heroic Haitian struggle for freedom. It was the blood of

slaves spilled in ferocious guerilla actions and transmitted into the blood of invading soldiers by mosquitoes that gave the United States a title clear of rival European claims to what would become the heartland of our nation. The blood of slaves assisted our rise as a great power. No less a figure than Henry Adams recognized the contribution of Toussaint Louverture to the expansion of U.S. power, the doubling of the nation's real estate:

St. Domingo was the only centre from which the measures needed for rebuilding the French colonial system could radiate. Before Bonaparte could reach Louisiana he was obliged to crush the power of Toussaint....If he and his Blacks should succumb easily to their fate, the wave of the French empire would role on to Louisiana and sweep up the Mississippi; if Santo Domingo should resist, and succeed in resistance, the recoil would spend its force on Europe while America would be left to pursue its democratic destiny in peace.*

The French have a serious debt to Haiti, but so does the United States. All or part of a dozen states, greater "Louisiane," should feel a special debt. There is a worldwide, largely religious inspired effort called Jubilee 2000 that would, like the biblical jubilee year, cancel debts. The proposal was to start with the poorest nations. The world community and its institutions of debt management should start with Haiti. France and the United States, the two nations who have the deepest historical debt, should lead by forgiving all debt, opening blocked development capital through networks that express grassroots organizational capacity, and discussing reasonable, sustained, long-term reparations. The world community should honor the freedom struggle of the Haitian slaves and their achievement of nationhood—now, more than ever, as it is once again brutally violated.

Aristide: Past, Present and Future

In 2003, the second Aristide presidency was suffering a crisis of the spirit as well as of the body. Economic strangulation and mounting incidents of violence were increasing the restiveness of the population. Many old allies as well as people on the street were willing to vociferously criticize the president for his lack of leadership. Preoccupied with issues of international debt and

* Henry Adams, *History of the United States of America During the Administrations of Thomas Jefferson*, Earl N. Harbert ed. (New York: Library of America, 1986), 255-6, 264. An interesting collection of texts in French and English concerning the relationship between Haiti and Louisiana was compiled by Francois Latortue, *Haiti et La Louisiane: Leurs liaisons passees et leurs roles dans l'emergence du Colosse americaine* (Port-au-Prince: Bibliotheque Nationale d'Haiti, 2001).

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governmental financing, the government seemed adrift. Popular organizations that some accused of being merely gangs were increasingly engaging in political violence. How much or little the president himself controlled these activities was a matter of intense disagreement. In June 2003, on an earlier visit, Port-au-Prince remained covered with pro-Aristide wall slogans but violent resistance to the government was increasing, especially along the Dominican border. There were increased accusations of police violence and vigilantism by popular organizations supporting the president. All of this could be seen as the outcome of the slow but relentless squeeze the country was experiencing.

Aristide despite his numerous critics remains the central figure in the Haitian drama. His many near escapes from assassination, his personal courage, his extensive education and eloquence in the native Kreyol tongue are legendary. His achievement in nonviolently dismantling the Haitian army and its brutal paramilitary, under the guns of an occupying army of a mighty nation whose leaders were personally hostile to him, was spiritual jiu-jitsu of a high order. This second U.S. sponsored coup against him has only served to renew his spiritual standing. He remains for many Haitians an embodiment of their fierce desire for independence and justice.

This said, Aristide's presidency was in serious trouble as the bicentennial approached, under attack from right and left. The right, based in the historically mulatto export business class, disliked Aristide from the beginning though some sectors supported him as the best hope to create a legitimate functioning government. His resistance to World Bank and IMF demands to privatize communications and public works, his recognition of Cuba (done in the last hours of the Preval presidency), his abolition of the army and his championing of Kreyol over French as the language of government, one of the historical instruments of class control, all combined to harden the determination of his enemies. Port-au-Prince was rife with stories of corruption including accusations against the president personally. Many had come to feel that given the broad range and power of his enemies, both foreign and domestic, his governance had become untenable.

The fundamental attack came from Aristide's powerful foreign enemies with close collaboration from the domestic opposition. Eight contested senatorial elections provided the rationale for the freezing of Inter-American Development Bank loans for health, education, drinking water and road improvement. In 2003, Haiti was forced to use more than 90 percent of its cash reserves to pay for arrears on debt—much of which derived from the Duvalier and military dictatorship era. Haiti struggled to serve 8 million people

on a governmental budget of \$300 million. Crushing debt, frozen assistance, weak police, and no army left the Aristide government defenseless.

Among the progressive community that had long supported the president there was increasingly bitter criticism. An incident that illustrates the malaise occurred at the June 2003 funeral mass of Fr. Antoine Adrien, an immensely influential figure in the liberation wing of the Catholic Church in Haiti, a confidante and mentor of Aristide. Fr. Adrien had played a key role in the overthrow of the last military leader Prosper Avril and the election of Father Aristide. He was head of the commission that worked to broker a negotiated return of President Aristide after the bloody coup led by Raul Cedras. He had suffered a stroke seven years ago that rendered him without speech. Aristide requested that Adrien's funeral be held at the palace, but his Spiritans Order confreres demurred, so Aristide and other governmental figures came to the church of St. Martial for the burial.

At the end of his homily, Father Max Dominique shocked the assemblage by attacking the government's attempts to revise the constitution so that Aristide could run for another term as president. Consecutive terms are forbidden by the army-imposed constitution of 1987. He said that if Father Adrien were alive he would be by the side of the victims of repression by the *chimeres*, Aristide-allied gangs with names like "swat team," the "Cannibal Army," or "domi nan bwa." He charged that Duvalierism and the Macoutes had returned. Shortly after, in the early morning hours, a group of 20 men visited the compound where Fr. Dominique was staying, loudly demanding that he come out, accusing him of child molestation. The men left after intense discussions with his colleague Fr. William Smarth. Pro-Aristide graffiti was left on the wall. Incidents like these and the mounting number of bodies in the streets while not proven to happen by presidential order fueled the general feeling of insecurity. Ironically, it was the shift of the allegiance of the Cannibal Army in Gonaives that began the unraveling of the Aristide regime.

Much of the criticism from old friends before the latest coup was expressed in sadness rather than anger. Many recognized the vise into which the president was placed. They appreciate the terrible pressures to which Aristide had been subjected. Many say that he never fully recovered from his exile in Washington and the isolation and hostility he encountered there. Many were bitter about the degree to which Haiti accepted and conformed to international lenders' demands. The central issue for many on the left was the government's tolerance or even encouragement of vigilantism by the

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popular organizations or gangs based in the poorest neighborhoods that supported the president. The most traumatic event had been the murder of Jean Dominique, the charismatic and eloquent radio announcer whose brutal assassination¹ after he criticized his former ally Aristide had gone unpunished. Jean Dominique, whose brilliant career has been celebrated in a powerful documentary, *The Agronomist*, by Jonathon Demme, was the very symbol of Haitian democracy and free expression.

Haiti saw a dangerous recrudescence of violence throughout 2003, but much of it and the most violent came from opposition forces. There were a series of violent demonstrations involving the Democratic Convergence in Gonaïves. The opposition seemed bent on a strategy of provoking conflict to provide a rationale for intervention. On April 6, three activists were killed in Cape Haitien when a Lavalas demonstration commemorating the bicentenary of the death of Toussaint Louverture was fired upon. On May 6, 20 commandos attacked the control room of the Peligre hydroelectric plant killing two security guards. A few days later, a shipload of arms, grenades, and bomb-making manuals reportedly from the United States were seized by police in Gonaïves. A mysterious fire struck warehouses at the port. Shortly after the attack on the hydroelectric plant near the Dominican border, Haiti's former police chief was arrested and then released by Dominican authorities despite his declaration: "In the present state of the country, every Haitian worthy of his name ought to take part in plots to overthrow President Jean-Bertrand Aristide."

In fact, perhaps the greatest achievements of the Aristide/Preval Lavalas regime were the dismantlement of the army, the placing of the police under civilian control, and the creation of a government with vastly reduced weaponry and repressive capacity. Unfortunately, while the government operated for nearly a decade with no army and few trained police, guns did not disappear—rather they were privatized. Armed gangs both hostile and supportive of the government proliferated with the marginalization of state power. The challenges faced by any Haitian government are formidable. They include land tenure, infrastructure improvement, energy development, and the expansion and coordination of education and health services. There is a crying need for the development of an effective civil society. Further deterioration of governmental legitimacy does not bode well for the future.

Finally a word should be said about the Venezuelan connection to Haiti. Both nations have experienced having legitimately elected regimes resistant to U.S. hegemony attacked and threatened with overthrow by vigorous opposition groups who do not stop short of

openly violent tactics including attempted coups. In both countries, the National Endowment for Democracy and the International Republican Institute have channeled U.S. taxpayer money to antigovernment forces in the name of promoting democracy. While Chavez has been able to mobilize the poor while neutralizing the army through the loyalty of the middle and lower ranks, Aristide faced organized and increasingly armed opposition with a weak and contested police force and slum-based popular organizations not known for legal niceties, primitively armed and certainly not securely under central control or discipline.

There was a story in the days just preceding the American coup (when you and your spouse are surrounded by heavily armed soldiers and are told by the American envoy that your personal safety cannot be guaranteed unless you leave, that's a coup), that Chavez was considering sending Venezuelan troops to defend the Aristide government. If true, the American strike can be seen as preemptive. It would certainly have fit the declared Bolivarian mission of Chavez, because in 1816, Simon Bolivar came to independent Haiti where he secured arms and training for his mission of liberation of the Americas from the Spanish yoke. Aristide's leaving the French military outpost of Bangui in Central Africa, returning to the Caribbean to the dismay of the United States and its minions, visiting Jamaica just across the straits from his ancestral town of Port Salut with the support of the Caribbean nations, and then taking up residence in South Africa where he was welcomed as Haiti's legitimate head of state, was a *tour de force*.

People to People Solidarity

What is to be done? For the victims of slavery everywhere, Haiti's 1804 declaration of independence transformed it into a beacon of hope. In the bicentennial year of its independence, it is subjected once again to the humiliations of foreign administration. For those who have been to Haiti and witnessed the courage and talent of its people, there remain critical people-to-people solidarity efforts. American workers and communities need to build direct bonds of mutual aid and support with Haitian peoples. Churches, activist groups, and unions should reach out in solidarity with indigenous efforts on the ground.

There are important historical precedents for a human solidarity that crosses racial and ethnic lines. Among the approximately 40,000 troops that Napoleon sent to Haiti to reconquer the colony, was a regiment of Polish soldiers who rebelled and crossed over to the Haitian side. Recruited by a promise that Napoleon would restore Poland to nationhood after its final dismemberment and

elimination in 1796 by Prussia, Russia, and the Austro-Hungarian Empire, these Polish soldiers found themselves in Haiti with the mission to restore slavery. Their desertion and the subsequent granting to them of Haitian citizenship by the fearsome Dessalines is an act worth remembering and celebrating.

The most famous and articulate of those Americans who have aided Haiti both by fearless testimony and by direct aid and exemplary activity is Paul Farmer. A professor at Harvard medical school, Farmer is a recognized expert on the pathology and politics of AIDS. He runs a very fine clinic in central Haiti's Artibonite Plateau, testifies before Congressional committees, and writes passionate articles about the Haitian crucifixion. He is a part of an amazing network of grassroots efforts in Haiti that maintain connections to U.S. based organizations. These church and activist networks are small in capital but intense in organization and commitment.

My own recent involvement with Haiti grows out of the numerous ties the country maintains with Pittsburgh. Despite a very small Haitian population, Pittsburgh, itself a victim of global economic restructuring and subject to antidemocratic external oversight and approaching bankruptcy, has an extraordinary variety of support and outreach efforts to Haiti. Black churches and Catholic parishes have numerous twinning operations with Haitian congregations. Both Duquesne University through the Spiritans fathers and the very active Pittsburgh-Haiti Solidarity Committee based in the activist Thomas Meiton Center, which has been around since the early 1990s, have deep connections to Haiti. Even the Mellon family runs an important hospital in Deschappelles. Through Partners in Progress, a national organization organized out of Pittsburgh, local people are supporting an extraordinary grassroots economic development effort.

Fr. Joseph Philippe is an intense barrel-chested Haitian with a ready smile and boundless energy. Always evaluating the situation, he communicates with the intensity of an organizer. He has a dream and a plan—or several dreams and several plans—with both local and national intent. He has a strong Pittsburgh connection because his religious community, the Spiritans or Holy Ghost Congregation, runs Duquesne University in Pittsburgh. His prime Pittsburgh contact is Professor Rich Gosser, math professor at St. Vincent's College, the Benedictine school renowned locally as the summer camp of the Pittsburgh Steelers. Father Joseph has developed an extensive fundraising network in the United States, Canada, and Europe.

Fr. Joseph's dream is to create a peasant-based economic

development model while constructing the mechanisms to replicate it nationally. Fondwa, his ancestral village 40 miles southwest of Port-au-Prince high in the mountains just off the road to Jacmel, is the laboratory. The dream has three primary building blocks. The first is Asosyasyon Peyizan Fondwa (APF), a peasant association that celebrated its 15th anniversary last May. The second is Fonkoze a decade-old grassroots microcredit lending organization. The third is the University of Fondwa that, despite the unsettled nature of the country, opened in January 2004 to coincide with the bicentennial of the republic.

Founded in 1988, the APF peasant association was inspired by Catholic liberation theology or the Ti Legliz (Little Church) movement of grassroots Christian base communities. During the tumultuous decade that witnessed the Aristide election, a brutal military coup and repression of popular organizations, and the U.S. invasion, APF provided water, a health clinic, a primary and secondary school, adult literacy classes, a new road, reforestation efforts, a community store, a children's home started initially in the family house of Fr. Joseph, and a credit union. The region it serves, Fondwa, with a population of 45,000, is perched on the rugged terrain at the beginning of the long mountainous finger of land that protrudes from southwest Haiti into the sea.

In the last five years, APF has sought to develop small business opportunities and promote methods to improve agricultural techniques and accelerate reforestation projects. Typically, Fr. Joseph does not import skilled labor or finished projects. Each project builds capacity. New projects that are eventually to become freestanding businesses include a carpentry shop to build school furniture for the primary and secondary schools (725 students) and also for the university. A bakery was started but was halted early in its development by a doubling of the price of flour and was on hold while our Pittsburgh group was there. A radio station had started broadcasting in the early evenings to a limited area. The new APF office achieved via satellite Fondwa's first internet connection.

On a recent trip to the United States before the latest coup, Fr. Joseph was hunting for a welder/generator to start a metal shop near the auto service station APF has organized on the main road between Leogané and Jacmel. While we were visiting Fondwa, the university laboratory was being constructed. The children's home for orphans and children at risk had been nearly completely rebuilt and greatly expanded. Construction jobs in Fondwa have led to relative prosperity in the region. New tin roofs were evident on many of the traditional homes spread across the valleys. While Fondwa is an extraordinary place, there are many other active peasant associations

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and bootstrap development efforts across Haiti.

Haiti's environment has seriously deteriorated. The French removed much of the primeval forests, clearing land for plantations and using the Haitian tropical hardwoods to grace their palaces—especially Versailles. After independence, the peasants farmed the mountainous plots for generations but never owned clear legal title. Geographic dispersion and dense population led to continued destruction of the secondary forests for fuel. In Fondwa, reforestation efforts expanded via a 1999 agreement with the Cuban Agriculture Ministry that brought a team of Cuban agriculture and health specialists to the region. Behind our guesthouse was one of Fondwa's plant nurseries with close to a hundred bagged individual plants or grasses in each of a dozen species. The APF claims to have planted several hundred thousand trees in the district over 15 years. In fact fingers of green are marching up eroded valleys or stretching via terraces across denuded hillsides. Fr. Joseph reported at a recent fundraiser in Pittsburgh that one peasant family had planted over 1,000 tree seedlings provided by APF.

When we visited in June 2003, Cuban agronomist Efrain, a white haired, reflective and serene man of noble mien, said his stock at this particular nursery had been reduced in half by a large planting the weekend before that placed over 2,000 trees. Many had gone on 60-degree slopes where parallel and level meter-wide-by-meter-deep trenches had been cut by mattock and shovel and in some places were hundreds of feet long. Plants were selected that were deep rooting to promote stability and for compatibility with other plantings. Once stabilized, some terraces could support vegetables, corn or banana trees while others provided trees for shade and eventual lumber.

While the Cubans are in the fields, many Americans are deeply involved in the Fondwa project. One of our Pittsburgh group, Rosemary Edwards, a doctor at Mercy Hospital of Pittsburgh, was helping stock and upgrade the existing health clinic. Her main goal is to create a medical laboratory and train the local staff in laboratory practices. Two remarkably good-natured students from Notre Dame University, who in a month had learned to communicate passably well in Kreyol, were exploring possible options for pumping water to the growing Fondwa mountain complex from a spring further down the valley. A University of North Carolina couple was working with an APF peasant leader designing a small intensive fish farm. On a tour of the Cuban agronomy projects with APF we saw succession plantings with thoughtful placement of fruit, nut, and timber producing seedlings on eroded slopes, vegetable plots, pigsties and cornfields. At the

children's center with its new block of rooms, we all were together—Cuban agronomists to Notre Dame interns—surrounded by laughing children playing a hotly contested game of marbles.

The second leg of the dream is also in place, and it is the most spectacularly successful project to date. A dozen years ago, Fr. Philippe started Fonkoze as a microlending institution to serve as an "alternative bank for the organized poor," particularly working for and with the *ti machann*, the street market women of Haiti. Fr. Philippe who was an accountant before becoming a priest lured Anne Hastings, a six-figure investment consultant in Washington D.C., to come to Haiti and organize a well-managed grassroots banking and investment vehicle that provides small vital loans to women merchants and marketers. In the last seven years it has grown from three low-paid employees to 230 employees working in 18 Fonkoze branches throughout the country. There is nothing Haiti needs more than real job opportunities that build the social capacity for sustained economic growth. In the words of its 2002 report:

These individuals are tellers, credit managers, data processors, literacy trainers, branch directors, security guards, drivers and custodians. They walk mountain paths to deliver training and credit to the "ti machann." They work overtime to assure accounts are balanced. They treat Fonkoze clients—mostly women street vendors—with the respect and esteem they deserve.

A visitor to the new multilevel Port-au-Prince office and the central administration office of Fonkoze is swept into beehives of purposeful activity: banks of computers with intent young men and women workers processing loans, offices crowded with successive meetings, and couriers coming and going making deliveries. Even though we were guests of the director, we were subject to electronic detector and wand searches by the security guards. A terrible office robbery in 1998 that took the life of a dedicated Fonkoze employee emphasized the need for tight security in a nation where gangs have guns.

The roots of the organization are watered by an extensive literacy and economic training program that becomes mandatory with one's second loan. Loans are made to any registered Haitian organization that is not a political party including peasant organizations, agricultural cooperatives, *ti machann* solidarity groups, women's collectives, youth groups, and religious communities. The solidarity groups provide social support and mutually ensure the security of the loans. These groups also promote and enable cooperative ventures. Today there are 645 groups managing 35,000 microloans.

The third and perhaps most ambitious part of the plan is to create a new "university of the mountains" to serve the three-

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quarters of Haiti that lives from the soil in 565 rural communities. The goal is to have three faculties: agronomy, veterinary science, and business management. The purpose of these programs according to the Fondwa University prospectus is: "to help develop agricultural production which shows an understanding of animal and plant production, environmental conservation, and agricultural business administration. We envision sustainable rural development oriented toward preserving ecosystems and efficient land use, as well as efficient use of human and natural resources in small scale agriculture." In November, at a Partners in Progress fundraiser in Pittsburgh, Fr. Joseph, after teaching the crowd a Haitian religious song, described Fondwa's goal: "Liberate ourselves and become the agent of liberation for others."

Each peasant association would pledge to support three students, one in each school, who would contract to return to their sponsoring region for six years to apply the Fondwa rural economic model. The university will have four official languages: Kreyol, Spanish, English, and French. While the Cuban Ministry of Higher Education and the University of Guantánamo are committed to provide instructors in agronomy and veterinary science, the hoped for American university partner to assume the business management function has not yet materialized. In January, the first 19 students began their courses in a situation of mounting instability. In February, the Cuban teachers were evacuated but the American secretary, Renate Schneider, and the Haitian staff of the school were able to conduct classes in extremely difficult circumstances and finish the first semester. A second class of 20 students is being recruited for the fall while money is being raised to support them. What will happen to the highly regarded Cuban agronomists, veterinarians, and medical personnel under the new American installed regime remains uncertain.

Cultural Resistance

What is striking about the country life of Haiti is how material poverty and spiritual richness seems to so intimately coexist. When I visited the markets of Nicaragua several years ago, I was appalled at how far the native products one would have expected to see in the markets had been supplanted by cheap plastic and metal ware from Asia. While native handicrafts have received government promotion in the colonial city Granada, they are almost exclusively produced for the tourist trade. Cheap industrial imports are the flip side of underpriced agricultural exports. Nicaragua is only a bit higher on the global food chain, but the effects of global trade on the countryside are profound.

In Fondwa, dresses are still hand sewn, mats and hats are woven of straw, tools are fabricated over local furnaces, furniture is hand carved, handicrafts in brightly colored and artfully painted metal are ubiquitous. Globalization is all about forcing people into the money economy. Subsistence and family farming is one of the last refuges from the global market whether it's in Haiti or Guatemala, Poland, or Pittsburgh. For the World Bank and the IMF, if you don't produce for the money economy you don't exist or at least you don't count. Your very existence becomes a negative economic indicator. International agencies ignore or squeeze the subsistence farmer.

Our presence in Fondwa coincided with the feast of Saint Antoine, namesake of its parish church. In a poor area of the poorest country, all 500 people crowded into the church were beautifully and many artfully dressed. There was a well-organized choir with fine voices, drums, and bass. An area was reserved for elders beside and to the left of the altar; we whites or *blans* (hardly displays of sartorial elegance) had our two rows in front right; and the 60 first communicants occupied the entire center to our left. Four young girls modestly but colorfully draped did interpretive dance on the four corners of the raised sanctuary. The priest gave an energetic half-hour sermon. At the offertory, a mighty chorus arose, "God protect Haiti!" as the assemblage sang perhaps 16 brightly attired young girls from six to 16 years of age came dancing up the aisle with baskets on their heads full of fruit and flowers, the land's bounty to present at the altar of God. Poverty indeed!

People with only a passing knowledge of Haiti talk about the brightly painted taxi-buses or *tap-taps*. I prefer the older wooden ones with intricate carving, but the flamboyant metal ones that dominate the Port-au-Prince roads with names like "Dieu Sauveur" or "L'Amour Conquit," no two the same, inject art and color into the urban landscape. The 19th century houses of downtown Port-au-Prince though crestfallen are elaborate concoctions of towers, gables, and porches. Cap Haitian streets look in places like old New Orleans. But the real architectural wealth of the nation lies in its various regional peasant house styles.

In the north cutting across the Central Plateau toward the Citadel fortress, symbol of Haiti's resistance and pride, I saw beautifully decorated houses with complex geometric designs. They reminded me of the intricate geometric patterns on house facades in Hausaland in Northern Nigeria, but more intensely colorful. If most of the Caribbean islands are painted in easygoing pastels, Haiti is decidedly a land of primary colors, particularly the ubiquitous

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national colors, the red and blue of Dessalines' Haitian flag—the French tricolor with the white removed by a knife. In Fondwa, the peasant houses are constructed of whitewashed split logs with carved lintels and scalloped trim. Haitian painting is justly renowned and internationally respected.

Critical to Haiti's spiritual coming of age is reflection on and acceptance of the substance and meaning of Haitian history. As part of the Haitian bicentennial, a group of Haitian folk historians and philosophers are constructing a living historical Memory Village under the auspices of the N' A Sonje "We Will Remember" Foundation. Its goal is the "re-balancing of history" focusing on the tricontinental encounter between African, Native American, and European peoples in Haiti. The prospectus envisions an experience a bit more engaging than Colonial Williamsburg.

The Memory Village is intended to be a living interactive historical village where people from all over the world will have the opportunity to re-live the three main cultures of the trans-Atlantic slave trade from before the turning point of 1492 through the ensuing 500 years by observing historical reenactments of the capture, selling, shipping, and enslaving of African people up to the time of the revolution, and of the 200 years following the victory of independence in Haiti.

The last decade laid the groundwork for a profound national cultural valuation in time for the anniversary of the Haitian revolution through the governmental embrace of Kreyol as the first national language and the 2003 legal recognition of Vodou as a legitimate religious expression by the Aristide government. Kreyol is the rich Franco-African language of all Haitians. The breaking of the domination of French over the workings of government and society opened the door to participation by the rural masses in the basic institutions that impinge on them. The dethroning of French as an instrument of upper-class Haitian domination ensured the hostility of France and cemented an unholy alliance of U.S. and French influence to block international aid to the Lavalas governments.

Kreyolization opens the door to citizenship. So too, the formal acceptance of Vodou as a legitimate spiritual expression of the Haitian community by the government gives protection to an essential component of the Haitian soul and provides a living ancestral link to African belief and philosophy. This legitimization will perhaps be accepted more easily by the local Catholic Church, which at least in practice has provided cover for traditional practices and sacred sites for centuries. Catholic Haitians routinely make pilgrimage to Our Lady's church and then go wash in the

ancestral sacred waterfalls at Saut d'Eau. Haiti's growing Protestant sects and its traditional French-speaking elite are the most hostile to these ancient practices as well as to Aristide. The practical effect of these Aristide reforms will most certainly be slowed under the interim governing authorities.

The Oloffson is justly renowned as both hotel and cultural phenomenon in Port-au-Prince. Unlike most of the city hotels catering to international visitors, it is not perched high on the steep slopes where Haiti's elite have their gated homes above the hustle, bustle, and poverty of the port and lower city. A magnificent and improbable pile of Victorian gingerbread wood construction, the building was built by a wealthy Haitian in the late 19th century. It was used as the headquarters of the U.S. Marines during Haiti's occupation, and the lower priced guest rooms (\$70 a night) occupy a wing that once served as the U.S. military hospital.

Famously the site of Graham Greene's great novel, *The Comedians*, the hotel's rooms carry colorful placards with the names of famous guests (I stayed in a room named after Ramsey Clark). Greene's novel brilliantly evoked the atmosphere of Papa Doc's Haiti, the opaque veil of mystery and corruption that seemed to infect everything. Today the Oloffson represents liberated space. It is the indispensable location where discussion revolves around the culture, people, and history of Haiti. Pro- and anti-Aristide opinions are heatedly discussed by foreigners though Haitians tend to be guarded in public. Graham Greene described the fear, corruption, and decay of the Duvalier period of the 1960s with murderous Macoutes lurking in the shadows, and the decline of the hotel's fortunes represented the sinking of Haiti itself. Mr. Brown, the owner, returns to the dark unkempt hotel, called Trianon in the novel, that is without guests or electricity remembering a tourist brochure "nearly true once" that described it in an earlier generation:

A center of Haitian intellectual life. A luxury-hotel which caters equally to the connoisseur of good food and the lover of local customs. Try the special drinks made from the finest Haitian rum, bathe in the luxurious swimming pool, listen to the music of the Haitian drum and watch the Haitian dancers. Mingle with the *elite* of Haitian intellectual life, the musicians, the poets, the painters who find at the Hotel Trianon a social center....

Today the Haitian drums, the rum, and the rich conversation is restored, and the hotel is still a must stop for travelers, mostly contractors, reporters, staff for NGO's, and a few tourists who descend from their rooms on the mountain to have a drink on the hotel verandah. The staff is friendlier here than in the pricier

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locations on the heights, but there is definitely an edge to the place. The city swarms outside its walls, the gardens that share the compound with the rambling buildings are full of Vodou sculptures and spirits, and the rooms are covered with paintings that express the mystical and ecstatic. The present establishment carries the stamp of its operator, Richard Morse. It houses the popular band RAM that he leads. On Thursday nights the band and chorus plays for a packed house and people (black and white together) dance nonstop.

Richard Morse has an album entitled *Puritan Voodoo*. The title expresses his heritage through an American father who graduated from Yale and a Haitian mother. His Haitian wife is a lead singer and dancer in the band. RAM's songs are a haunting combination of rolling Caribbean rhythms, driving African drums, and lyrical guitar. His American voice covers the plaintive Kreyol chants of the mostly female chorus. He talks a lot about the senselessness of violence. "We got to get back on the Peace Train; it was the best friend we ever had; got to get back on the Peace Train." He talks about 200 years without respect. It is way past due for Haiti; justice, too. "Justice! For all our friends and neighbors; Justice for people we don't even know."

Haiti Matters

Recent visitors to Haiti report that conditions have eased somewhat. U.N. forces from Brazil, Chile, Argentina, and Rwanda have largely replaced the French and Americans. Their soldiers are more relaxed and relate much better to the populace. There is a palpable infusion of money as the United States and France have removed various blockages and turned on the aid. Port-au-Prince is crawling with USAID contractors and the restaurants and hotels are gearing up. The severe internal contradictions will not easily go away however. Aristide's Lavalas Party, Haiti's largest, has been excluded from the new electoral commission. The return of the elite and the restoration of the army do not bode well for either the rural peasantry or for democratic participation.

Haiti's ongoing crucifixion stands as an historical reproach to five plus centuries of European imperial pretensions and two centuries of U.S. contempt and manipulation. Its combination of extreme poverty and spiritual resistance has inspired poets, painters, and musicians as well as spurred thousands of ordinary Americans to search for ways to express their solidarity and support for the Haitian people in some meaningful way. It is the most African of all the places on the American continent. Its story combines the nobility of humanity's striving for freedom and self-determination

as well as the most degrading examples of chattel slavery, foreign interference, and near perpetual civil war between merchant and farmer, city and country.

The latest sad and almost farcical episode in the humiliation of Haiti is being played out before our eyes. Historically the methods of control are transparent: blockade, internal division, invasion, and occupation. Haiti has always served as an exemplar. It remains a beacon of hope to many because of its revolution and its spiritual resistance, but U.S. and French intervention have made sure it also serves as an object lesson demonstrating the ongoing failure of black self-determination. In May, the *New York Times* published on page one a photo of a Haitian woman making dirt cakes with earth, salt, and butter, the last step before starvation for the poor of Port-au-Prince. Such images should summon all people of good will to support the ongoing struggle for the nonviolent liberation of Haiti. Haiti matters.

(continued from inside back cover)

Tonsem Lamkhai (1999) incident where 10 civilians including State Government employees on election duties were arbitrarily killed by the CRPF. Even the "fast-unto-death" to protest against the ASFPa by Irom Sharmila, a budding poet and a passionate human rights activist since November 2, 2000 has been unable to open the eyes of the rest of India and now she has had to be "force fed" by the state government to stay alive.

But the protest by naked women with the banner '*Indian Army rape us; Indian Army take our flesh*', has made the rest of India painfully aware of the inhuman torture meted out to innocent people on the pretext of counter-insurgency measures. For the first time the outrages in the north eastern region shielded from both law and public view by the AFSPA have become an all-India issue that must not fade away.

The facts prove that it is erroneous to believe that the Act has helped to contain insurgency; on the contrary, insurgency outfits have mushroomed during the last decades. Nor should this prove to be a surprise; why should any young and spirited person be expected to witness and suffer in silence the outrages committed in a mindless and lawless 'counter insurgency' coercive campaign. It is well to remind the priests of liberalism that even in the most glorious Gladstone and Disraeli days of British constitutional parliamentarianism, Ireland was both represented in the parliament and ruled by special coercive acts that suspended the rule of law. Though the Irish nationalists were but slightly influenced by socialism, Marx reminded the British workers that they could not achieve their own freedom while the Irish were under arbitrary rule. There is no contradiction in Indian communists joining the people of Manipur in demanding that the Union government live up to its promise of the rule of law: indeed, it is our duty.

Encounters with Che

HARRY MAGDOFF

We think the following letter, written to the daughter of long-time friends, will be of interest to our readers.—The Editors of MR

Dear Camila,

I hope you won't mind that Mike sent me a copy of your e-mail. I write for two purposes. First, to express my appreciation for your comments on my recent article. Second, to avoid misconceptions about my contacts with Che Guevara. My wife, Beadie, and I grabbed our first opportunity to breathe the revolution. We had no distinctions and no pretense to be more than tourists. We did differ from the usual tourists in so far as we went to a hotel in *old* Havana. As soon as we could, we began learning about Havana by taking to the streets. Before we knew it, we were in the midst of a stream of youths who pulled us along with them. They were rushing to a student mass meeting. After a few minutes of talk they urged me to address the meeting. I clearly demurred. That made no difference; Beadie and I had at least to be on the platform. There we met and had a good talk with Carlos Rafael Rodriguez. We were of similar ages and took to each other quickly. The ease with which we were accepted as friends was repeated as one introduced us to another. We lunched with the minister of commerce, the head of Mexico's agriculture bank, the head of the UN economic planning unit, and so forth. Finally, the time came to have lunch with Jaime Barrios, then working at the Bank of Cuba; he later became a close advisor to Salvador Allende and perished in the coup. He came with several friends to take us to lunch at a *bodega* near the hotel: a small store with a few tables and a guitar-playing singer. As soon as we were seated, Jaime asked for my impressions of Cuba. I uttered a few sentences, whereupon he said, "You must see the Commandante." I thought it was an idle expression, and we turned to our lunch, listened to the music, and chatted. Later that afternoon we received a phone call at our hotel from Jaime, "You have a date with the Commandante on Wednesday at twelve." I told him how sorry I was to miss it since we would be returning that day from Santiago de Cuba at noon. He answered: "No problem, your appointment is twelve midnight."

We walked the dark quiet streets and reached the bank at a minute to midnight. The guard checked the list and let us into a

hall full of light and activity. Almost before we could turn around, Che greeted us, and asked, "Coffee or Coca-Cola?" He had a group of about ten people, including a translator. We walked into a room that startled me—it could have been a duplicate of the boardroom of the Federal Reserve Board in Washington, with the same huge world map on a wall.

Except for the translator, only Che and I talked for the next almost six hours. No one else uttered a word. I can't give a full account, but I recall a few things:

My first comment: If Cuba was to be independent, it would have to turn socialist. That would entail sacrifices, especially by the middle class. The currently cheering students may not remain reliable supporters when they see their mother, instead of a maid, on her knees scrubbing the floor. Che laughed and told of plans to fill the university with working-class students.

I urged increased attention to the study of mathematics and scientific subjects. Che thought it was too soon. "They'll go that way later," he said. Carlos Rafael came to our room the next night and asked about the session with Che. I told him about Che pushing aside my emphasis on math. Carlos laughed and said, "Che has someone coming to his office several times a week to teach him mathematics."

Che and I discussed the Ministry of Commerce. I gave my opinion that A., the minister of commerce, an intelligent man with a Ph.D. in economics, was not the best man for the job. (I tell you this for what comes later.)

I strongly urged him to develop a corps of master machine-tool craftsmen.

I advised that financial support be given to the chemistry department at Oriente University. Generally, chemistry in Cuba was taught from books without laboratory experience. Oriente had the only graduate program in chemistry on the island and an equipped laboratory. Moreover, their projects were designed to determine whether the native trees and plants could yield products that would substitute for imports. On this, Che said he had a budget problem, since there was a conflicting budgetary request from the national research institute. He asked me to examine the latter and give him a report.

I discussed the need to ask workers and others for their opinions—not to rely only on lecturing and instructing them.

Meanwhile, Beadie was urging me to bring the meeting to an end. Che's wife was clearly at an advanced stage of pregnancy and needed sleep and rest. Dawn had broken a while back. Since I did nothing, absorbed in our conversation, Beadie stood up around 6 a.m. and proposed we call it quits. You would have to know Beadie. Neither politeness nor the great Che mattered when a tired pregnant

woman needed rest and care.

Before we parted, Che said to me, "You have to stay in Cuba." After I explained that we couldn't, he asked me to write him a memo on whether tourism should be encouraged; to prepare a report on the Research Institute in Havana; and to send him a program for a school of economics.

Back in New York a year or more later, we received a call from the Cuban mission to the UN. Che was attending the UN session and asked to see Beadie and me. A date was arranged. I brought some books that might interest him. We continued our discussion as if there had not been a long interlude, and hours flew by. Earlier items of the previous discussion were continued. For example, Che told us that A. had been removed from the Commerce Ministry. Rather than being shifted to another government post, he asked to be the manager of a factory. He did very well and had a good relationship with the workers. At closing time, A. stood at the exit, shook hands with each worker, and exchanged friendly remarks.

I asked Che how he related to workers. (Che went to work in a factory as a machine tender for a week or so each month.) "Not especially friendly," he said. Why the difference? "Probably character," he thought. I will not report all of our discussion—this letter is already much too long. A lot of time was spent discussing the roles of the planning commission and the political leaders. I thought that there shouldn't be a wide difference between the two. Planners should feel free to explore alternative programs and be free to argue about long-term perspectives (a political issue). Che burst out laughing. When Khrushchev was taking Che on a tour of Moscow, Che asked to visit the Gosplan (the ministry of economic planning). Khrushchev replied, "Why bother? They're just a bunch of accountants."

We talked about such matters as the relation between the leaders and the masses. I asked him whether anyone in the ruling group agreed with Che's revolutionary ideas about motivation, etc. Che smiled and quietly said, "Fidel."

Che was an especially sweet and polite man. I have my portion of vanity, which pushes me to report our parting words. Recognizing that he was a nice friendly fellow, I asked, "You know how I feel about Cuba. What should I do?" Che answered, "Keep on educating me."

This is the first time I have written this down. Mike's words about you and your questions about my relation to Che gave me the impulse to do this.

My best wishes,
Harry

On the Role of Mao Zedong

WILLIAM HINTON

In 1995 a foreign reporter interviewed me about Mao. She sought me out as someone who had met the man in person and openly admired him over the years. She asked, "What about all the people he killed? What about all those famine deaths? And what about all the suffering and destruction of people in the Cultural Revolution?" With these questions she lined herself up with the current media line on Mao, the line of conventional wisdom, which is to present him as a monster—Mao, the monster. The usually more enlightened BBC reached a new low that week with their Mao centenary program. It made him out to be not only a monster but also a monstrous lecher far gone into orgies with teenage girls. Such a low level of attack! It cheapened the BBC and should have backfired, but you never can tell these days.

The Mao-the-monster thesis depends on two major charges. The first makes him responsible for all the euphoria and excesses of the Great Leap Forward and the organization of people's communes, which, so the charges go, led to a collapse of production and finally to famine in China. (Isn't it indeed strange that this famine was not discovered at the time but only extrapolated backward from censuses taken 20 years later, then spinning the figures to put the worst interpretation on very dubious records.) I do not mean to say that there were no mistakes in policy, no crop failures, and no starvation at all, but the hardships of those years are advertised as the greatest famine in human history, a conclusion that I do not accept.

The second charge blames Mao for the extremes of violence and all the personal tragedies that occurred during the Cultural Revolution. Must Mao take the blame for all these phenomena?

William Hinton was the author of the classic study of revolution in a Chinese rural village, *Fanshen*. His numerous books on China made him one of the great chroniclers of that country's revolution in the second half of the 20th century. He died on May 15, 2004. See the June issue of *AMR* or *MR*'s Web site for a full appreciation and obituary.

This essay is adapted from a talk given at the 1999 Socialist Scholars Conference in New York City.

I think it is wrong to blame Mao in this wholesale fashion. Such suffering as did result during both these periods arose as a consequence of protracted political warfare. This political warfare, in turn, grew out of the clash between two newly emerged classes—workers and bourgeoisie—over the future direction of China after the victory of 1949. The struggle between them was inevitable and reflected the principal political and social contradiction that arose in China after liberation. Until 1949, the principal contradiction had been between the Chinese people on one side and on the other the feudal style landlords, their offspring the bureaucratic capitalists, and backing them all, the foreign imperialists, especially (from the 1930s onward) the Japanese who set out to conquer China by armed force. The character of the revolution generated by this contradiction was democratic, or as Mao termed it, New Democratic. What then is the New Democratic Revolution? I have written some clarification of this question in my book, *The Great Reversal: The Privatization of China, 1978–1989* (Monthly Review Press, 1990). It can be summarized as follows:

In the 1930s, Chairman Mao declared that the capitalist road was not open to China in the 20th century. The Chinese revolution against internal feudalism and external imperialism, he said, could not be a democratic revolution of the old type—like the British or the French—a revolution to open the road to capitalism, but must be a democratic revolution of a new type, one that would open the road to socialism. Why? In the first place the imperialist powers would not allow China to carry out any transformation aimed at autonomous capitalist development. Every time any section of the Chinese people rose up to challenge traditional rule the powers intervened, singly or in unison, to suppress the effort by force of arms. This predictable response led Sun Yat-sen to ask, “Why don’t the teachers ever allow the pupils to learn?” He asked this because the Americans were preaching to them about the marvels of capitalism and told them, “you Chinese should develop capitalism,” but every time they tried to develop it the Americans intervened to crush it! The answer was, of course, that the landlord class as a whole and the compradors in business and government served as the main props of imperialist power in China. Hence the Americans used all their financial and military might to support, inspire, foster, and preserve these feudal survivals and their comprador offspring.

In the second place, Mao said, capitalism was not an option because “socialism will not permit it.” By this he meant that without allying with and winning support from all the socialist forces in the world—first of all the Soviet Union and second the

working classes and working-class movements of Japan, Britain, the United States, France, Germany, Italy, and other countries and the backing these provided through their own struggles against capitalism and imperialism, the Chinese revolution could not possibly succeed. In the modern era, defined by Mao as an era of wars and revolutions, in which capitalism was unquestionably dying and socialism unquestionably prospering, such an alliance and such support would come only as a response to a Chinese revolution of a new type—a Chinese revolution clearing the ground for working-class power and socialism and not a Chinese revolution clearing the ground for bourgeois class power and capitalism.

Finally, China's independent national bourgeoisie, the revolutionary sector of the bourgeois class, was weak and vacillating. It could not possibly take on both the Chinese landlords and the imperialists plus their Chinese comprador partners without fully mobilizing both the working class and the peasantry. But mobilizing the working class meant putting certain limits on managerial powers and meeting certain working-class demands—job security, retirement pay, and health care—while mobilizing the peasantry meant carrying out land reform. This could not be done without confiscating the wealth of the landlord class, from which the bourgeoisie had, in the main, arisen and to which it still maintained myriad ties. Furthermore, the confiscation of property and land threatened the foundations of all private property and caused capitalists—much as they desired liberation from feudalism and imperialism—to vacillate. Over and over again, the national bourgeoisie proved incapable of firm national leadership against the people's enemies, foreign and domestic. Leading the Chinese democratic revolution thus shifted by default to the working class, more numerous by far and older and more experienced than the bourgeoisie, and to the Communist Party that had established itself as spokesman for all the oppressed.

With the Communist Party assuming leadership in the revolution, mobilizing both workers and peasants by the millions and threatening to confiscate not only all the land of the landlords but all the property of the imperialists and their comprador and bureaucratic allies, the first goal of the revolution could hardly be capitalism. Mao projected a new national form, a mixed economy heavily weighted on the side of public and collective ownership with joint state-private and wholly private enterprises of the national capitalists playing a minor supporting role. Hence this led to the concept of a New Democratic Revolution and a New Democratic transitional period and the eventual establishment of a New Democratic state, with a mandate to carry land reform through

to the end and to nationalize the wealth (industrial, commercial, and financial) monopolized by the four great bureaucratic families of China and, within certain limits, to help the national capitalists to get on their feet. The great victory of 1949 brought all this about as projected. It resolved the old contradiction with feudalism and bureaucratic capitalism backed up by imperialism on the mainland and brought a new contradiction to the fore—the Chinese people versus the bourgeoisie. The character of the revolution from that point on was socialist, even though many New Democratic tasks remained to be completed—such as land reform in the newly liberated areas. So the character of the political struggle had changed.

Now Mao was not responsible for this. It was built into the fabric of Chinese life and into the fabric of the Chinese Communist Party and into all of Chinese politics by the existence of classes—especially the emerging new classes, workers and capitalists—and by the existing economy at its stage of development. The Communist Party, confronted by these contradictions, had developed into two main streams—one an open party governing the liberated areas with Mao Zedong as the primary leader, and the other an underground party growing up primarily in Guomindang dominated cities where Liu Shaoqi was responsible, under the overall leadership of Mao. The party stream under Mao developed into a proletarian headquarters and the stream that Liu led became the core of a bourgeois headquarters all within the overall umbrella of the party itself. That does not mean that everyone on either side was either proletarian or bourgeois. There were many degrees of mixture and admixture.

But the two headquarters, with their contrasting class character, developed out of this history and these circumstances and out of the isolation of the two streams from each other.

The Shanghai bourgeoisie, through the student movement of the 1930s and '40s contributed heavily to Liu's forces. After Deng's reforms began, whenever anyone reached a high post, people always asked, which branch of the Shanghai Youth league did he or she belong to? The big reform leaders that Deng Xiaoping brought forward, first Hu Yaobang, and then Zhao Ziyang, were both products of the Shanghai Youth League. Of course, there were many Maoists among the league members and there were workers and left-wing intellectuals who identified with the working class in the underground branches of the party. But under Liu's guidance a bourgeois headquarters emerged nevertheless.

After victory, after the liberation of China in 1949, the two streams of the party merged as one organizationally, but they never

did merge ideologically. Meanwhile the bourgeois stream received constant reinforcement from the degeneration of once-dedicated cadre under the bombardment of silver bullets that greeted them on assuming office at all levels, silver bullets being the perks and privileges that society or independent capitalists could offer a man or woman in power. Successive rectification movements stemmed this seepage but could not close it off entirely, nor was it easy to screen closet opportunists from among the new recruits to a party suddenly empowered and in a position to allocate the wealth of by far the largest mass of laboring people the world has ever seen.

Mao's proletarian stream, in order to serve the long-term interests of the workers and peasants, had to struggle for a socialist future and the eventual elimination of class exploitation. That Mao truly had the future interests of the common people in mind in struggling for this goal is demonstrated by the crisis and stagnation now pervading large parts of rural China. This is leading to the proletarianization of scores of millions of peasants chronically underemployed on the ubiquitous noodle strips of soil allocated to them by the family responsibility system.

In sharp contrast, representatives of the bourgeoisie in the party, in order to save a future role for themselves, and to save China as a sphere of operation for the bourgeoisie as a class, had to struggle for, at the very least, a prolonged period of mixed economy with an ever widening role for private entrepreneurs leading to a capitalist future. To weight the dice in this direction Deng's government redeemed scores of millions of dollars worth of bonds once issued to China's independent entrepreneurs to compensate for government expropriations, bonds on which interest had been paid for ten years prior to their cancellation in 1966. Bond redemptions began around 1980.

Can Mao be blamed for the struggle, this split over policy? No. This struggle was built in and inevitable. Initiatives arising on either side had to be challenged and defeated or at least stalemated by the other side. The contest was bitter, protracted, and hard-fought. Tragedies and casualties on both sides were many. Extreme friction between the two class factions contributed hugely to policy failures. No policy, from either side, could be applied without contest.

From the bourgeois side the bitterness was rooted in an inexorable truth: in the long run, just as the peasants of old China could get along without the landlords, but the landlords could not get along without the peasants who labored; the workers and peasants of revolutionary China could get along without the bourgeoisie, but the bourgeoisie could not get along without the labor of workers and peasants and the surplus value they created. 1

am not talking here about intellectuals. The working class can win support from and train intellectuals devoted to socialism just as the bourgeoisie can win support from and train intellectuals devoted to capitalism.

To blame Mao, then, for the struggle that ensued and for its outcome is unwarranted, unrealistic, and unhistorical. Mao did what needed to be done given his social base, while Liu did what he had to do given his social base. After a decade of conflict things came to a head in the Cultural Revolution. Mao won some victories early on, but, unfortunately could not consolidate them under the hammer blows of the Liu-Deng counteroffensive reinforced, as it was, by the dead weight, inertia, and tenacity of all the old customs, old habits, old beliefs, and superstitions that made any and all change difficult, not to mention such radical changes as socialist relations of production and a matching socialist superstructure demanded. Mao had the upper hand politically. He was able to speak directly to and mobilize hundreds of millions of peasants and workers. But Liu had the upper hand organizationally because his group, his stream coming from the underground controlled, by virtue of its existing network in 1949, the organization of the party nationwide and had the power to appoint, remove, promote, and educate the middle level of cadre throughout the whole country. At the heart of Liu's educational program lay his tract *How To Be A Good Communist*. This advocated self-cultivation that would, when conducted according to his directives, enable one not to serve the people better, but to be an obedient tool, and thus win promotion to ever-higher positions in the party. These philistine minions, their careers dependent on Liu, were the shock force of the bourgeoisie in the party, and there was a consistent pattern to the way they operated. In every new situation, when Mao was proposing a socialist solution, they first dragged their feet and tried to slow down the change or disrupt it. At one time, for instance, they dissolved 30,000 village farming cooperatives in one stroke. But when any movement reached a high tide and couldn't be stopped by foot dragging, then they jumped in, active as could be, and pushed things to extremes that were equally if not more disruptive. From Liu's headquarters there came always, consistently, in stage after stage of the revolution, a move, a shift from rightist obstruction to leftist destruction. Whether conscious or not this was the pattern. It showed up during land reform as illustrated in my book *Fanshen* (University of California Press, 1997). It showed up with a vengeance during the anti-rightist movement of 1958. After the shocking events in Hungary in the late 1950s, Mao suggested that there might be as many as 4,000 rightist reactionaries among the intellectuals and

academics of China. Deng Xiaoping, later the key figure in China, took charge of handling the rightist problem then and did tremendous damage by targeting 500,000!

The same right-left swing plagued the Socialist Education Movement in 1964. Cadres at the bottom suddenly found themselves under wholesale attack from Liu's headquarters. In just one county alone, Xiyang in central Shanxi, 40 village level leaders committed suicide. Before that a similar swing showed up during the Great Leap after the bourgeois forces failed to head it off. The way they responded was to push extremes such as blowing the "Communist Wind," a wind of political excesses that included a gale of gigantism. If a township was good as a single production unit, then a whole county was even better. It included a hurricane of blind directives—if digging one foot deep is good for the soil, digging three feet deep is better. It included an exaggeration wind—if you harvested 100 bushels to the acre, then I harvested 200 bushels to the acre. And a leveling and transferring wind—if you have a tractor that the commune needs send it over, it's all for the common good. At the height of the euphoria generated by the great crop in the making in 1958, all these winds blew and fanned up severe disruption that coupled with very bad weather in 1959, '60, and '61, to produce a shortage of crops, hunger, and even starvation. Mao's initiatives failed temporarily but they were well conceived.

The inspiration for the Great Leap, the commune form of cooperative federation and the industrial projects such as backyard iron smelting came from the very successful wartime industrial cooperative movement—Indusco. After suitable retrenchment and reorganization China successfully revived much of the original vision. There is a good description of this background for the cooperatives and the commune movement in Jack Gray's book, *Rebellions and Revolutions: China from the 1800s to the 1980s* (Oxford University Press, 1990). During the Cultural Revolution similar extremes arose. After Mao called for power seizures from below, everybody, and especially the capitalist roaders, formed factional support groups to seize power. Unprincipled and often violent free-for-alls ensued which no one, neither Mao nor Liu, could control. And thus the Cultural Revolution, after generating a tremendous storm, wound down without consolidating its goals. However, the movement as a whole was a great creative departure in history. It was not a plot, not a purge, but a mass mobilization whereby people were inspired to intervene, to screen and supervise their cadres and form new popular committees to exercise control at the grassroots and higher.

The whole idea, that the principal contradiction of the times was

the class struggle between the working class and the capitalist class, expressed itself in the party center, and unless it was resolved in the interest of the working class the socialist revolution would founder. And the whole idea that the method must be to mobilize the common people to seize power from below in order to establish new representative leading bodies, democratically elected organs of power was a breakthrough in history summed up by the phrase "bombard the headquarters." They constituted, in my opinion, Mao's greatest contribution to revolutionary theory and practice, lighting the way to progress in our time. Had Mao succeeded, I think there is no doubt we would have today a burgeoning socialist economy and culture in China with enormous prestige among the people. The economic advance might be slower than the current one but it would be much more solid and much more useful as a development model for all third world peoples now living in abysmal poverty and exploitation. Where Mao was particularly prescient was in his exposure of the capitalist road tendency and in making the target of the Cultural Revolution "party people in authority taking the capitalist road."

Today, after 20 years of Deng's "reforms" we can clearly see which way China is going and what the result will be. Surely Mao's diagnosis still stands. Mao's diagnosis for the whole of China's revolution was that the capitalist road was not open to the people of China. In a world dominated by powerful imperialists and multinational corporations with enormous strength and global reach, any third world country taking the capitalist road is taking a road that leads to neocolonization. Today, with capitalist methods, one can't build an independent, self-reliant economy and country, but only a subsidiary economy and country at the mercy of these huge multinational corporations at the top of the heap that set the rules and rule the roost. The Deng (now Zhang) regime is, in essence, already a comprador regime, ready to sell out to the highest bidder China's most precious land, material, and human resources. For immediate gain the current power holders will do anything, sacrifice any principal, invite in any investors, give away huge chunks of the domestic market, sell any and all resources including long-term use rights to the most valuable urban land, not to mention advertising space on the walls of the Yangtze Gorges, which could stand as a symbol of the whole paradigm. Recently around Beijing a big speculative boom in housing surfaced and some of the best cropland in north China was diverted to build estates for wealthy people. The prices of these houses under construction—they aren't called houses, actually, they're called villas—ran from 450,000-1,500,000 U.S. dollars. So far as I know, few if any of them were sold to

anyone who wanted to live in one. In the meantime, speculators from Hong Kong and other parts for the Chinese diaspora in Southeast Asia bought a few hoping to make a bundle by selling them again before the whole scam collapsed.

Will China's economy emerge from this transition period independent, self-regulating, and responsible to the people of China, or will it succumb to international market pressures, surrender one initiative after another and end up in a passive neocolonial position rocked by huge financial storms over which China has no control? I think the latter is a serious danger and should be confronted now by those responsible for China's future. Unfortunately, I see no sign that anyone who is in a position to do something about it takes the problem seriously. Corruption reaches right to the top of the government and everybody is too busy trying to get rich quick to worry about the long-term result. Thus, I think Mao's original prediction, that in a world dominated by powerful imperialist states no capitalist road is open to China, will turn out to be as true today as it was when he formulated it in the 1920s. More and more people from all walks of life will come to appreciate and honor Mao's life work, his struggle for national liberation and his struggle for socialism. My main point, that severe class struggle was built into the modern, post-liberation history of China, so that no person, no group, no party, and no faction had a free hand to apply socialist policy, and that the tragedies and casualties on all sides resulted from the friction at the interface between new domestic classes as they struggled for hegemony over society, above all inside the Communist Party, will also, I think, stand the test of time.



[T]he kindly named "underdeveloped" countries, are in reality, countries that are colonial, semi-colonial, or dependent. Ours are countries with distorted economies, distorted by imperial policy, which has abnormally developed the industrial or agricultural branches that complement the imperialists' own complex economies. "Underdevelopment" or distorted development brings a dangerous specialization in raw materials that keeps all our peoples in peril of hunger. We, the underdeveloped, are also the countries of monoculture, of the single product, of the single market. A single product, the uncertain sale of which depends upon a single market that imposes and fixes conditions—that is the great formula of imperialist economic domination, which must be added to the old and eternally new Roman slogan, divide and rule.

—Che Guevara, "Cuba: Exceptional Case?,"

Monthly Review, July-August 1961

In your name

MARGE PIERCY

In your name, we have invaded
come with planes, tanks and artillery
into a country and wonder why
they do not like us
be proud

in your name we have bombed villages
and cities leaving torn babies,
the bloated bellies of their mothers,
a little boy crying for his father
who lies under his broken house
the smashed arms of teenagers
in the sunbaked streets
every death creates a warrior
be proud

In your name we have taken men
and women from their homes
in the afternoon breaking down their doors
in the night waking them to the rattle
of weapons leaving their children
weeping with fear
be proud

in your name we have taken those we suspect
because they were in the wrong place
or because someone who hated them gave their names
or because a soldier didn't like the way they stared at him
put them in cells and strung them up like slaughtered cattle
stripped their clothes and mocked them naked
ran electricity through their tender parts

Marge Piercy's most recent novel is *The Third Child* (William Morrow/Harper Collins, 2003), and *Colors Passing Through Us* (Alfred A. Knopf, 2003) is her most recent book of poetry. Her CD, *Louder, We Can't Hear You (Yet!): The Political Poems of Marge Piercy*, is available online from Leapfrog Press, www.leapfrogpress.com.

set dogs to rip their flesh
in your name
be proud
This is who you are becoming.
There is none other but you sanctioning this.

In your name young-boys from Newark and Sandusky
are shot at by people who live in the place
they have been marched to.
In your name a young woman from Detroit
is disemboweled by a bomb.
In your name the sons of out of work miners
step on land-mines.
In your name their bodies are shipped home.
In your name fathers return to their children
maimed and blind, their brains seared.

This is who you are in Athens or in Lima not Ohio
when people glare at you in the street.
This is the person your passport identifies,
the one who allows the order to be given
for blood to be mixed with sand
for bones to be mixed with mud

In your name is all this being carried out right now
as we sit here, as we speak, as we sleep.
Every day we do not act, we are permitting.
Every day we do not say no, we all say yes
be proud.

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[I]mperialism has learned, fundamentally, the lesson of Cuba and that it will not again be taken by surprise in any of our twenty republics, in any of the colonies that still exist, in any part of America. This means that great popular battles against powerful invasion armies await those who now try to violate the peace of the sepulchers, the *Pax Romana*. This is important, because if the Cuban War of Liberation with its two years of continual combat, anguish, and instability was difficult, the new battles that await the people in other parts of Latin America will be infinitely more difficult.

—Che Guevara, "Cuba: Exceptional Case?,"
Monthly Review, July-August 1961

A Well-Kept Secret

ANNETTE T. RUBINSTEIN

Judith Newman, director and producer, *Into the Fire: American Women in the Spanish Civil War* (New York: Exemplary Films, 2002), 58 minutes.

In 1936 I was part of a small delegation to Washington attempting unsuccessfully to persuade our congressmen to lift the embargo on loyalist Spain. We remained actively involved in support of the Spanish Republic and its veteran defenders for many years after the fall of Madrid, eagerly following whatever news we could find. Yet until yesterday I knew nothing of the 60 young American women who volunteered at the outbreak of war and served until they were forced to leave two years later.

Yesterday I saw a one-hour documentary, *Into the Fire*, produced and directed by investigative journalist Judith Newman and shown on public television last year. It tells us enough of this story to make us want much, much more.

Newman has found and interviewed 16 of these nurses and combined current interviews with film clips of the war to create a riveting short story. She features reports by four of the women, still as passionately engaged today as they were over half a century ago—a laboratory technician, Celia Greenspan, who says she had never before done more nursing than applying a Band-Aid, and three experienced nurses—Ruth Davidow, Salaria Kea, and Esther Silverstein.

In 1936, Kea had answered a Red Cross call for volunteers to work in flood-devastated Ohio, only to be turned away because “the color of my skin would make more trouble than I’d be worth to them.” Back in Harlem she read news stories of “the way Germany was treating the Jews...it was like the Ku Klux Klan” and was infuriated by news of Hitler’s bombing Spanish civilians. On

Annette T. Rubinstein is an editor of *Science and Society*, the author of *American Literature: Root and Flower*, and *The Great Tradition in English Literature*, both distributed by Monthly Review Press.

Into the Fire is being shown this fall on public television and can be obtained through the Filmmakers Library, www.filmmakers.com (212-808-4980).

March 27, 1937, she sailed on the SS *Paris* with a group of 12 other nurses and doctors. The other nurses had already left in slightly larger parties.

Together with a team of doctors—led by prominent surgeon Edward K. Barsky—whom they cannot praise too highly, these four women and their colleagues worked long hours, sometimes from dawn far into the following day. They stoically report the desperate shortage of the most elementary supplies—bandages and hot water—and describe head or chest operations lit by flashlight when electricity failed.

The film also introduces four better-known women, the writers Virginia Cowles, Martha Gellhorn, Josephine Herbst, and Dorothy Parker. Gellhorn, an old friend of Eleanor Roosevelt's, wrote her begging for help. We hear several of Eleanor's replies urging her to "write Spain out of your system" and remarking "strange how easily our pockets affect our feeling for democracy." Eleanor does not seem unduly concerned, but she does arrange a showing at the White House of *For Whom the Bell Tolls*, based on the Spanish Civil War novel by Gellhorn's then husband, Ernest Hemingway.

Interwoven with all these are contemporary shots of bombing, in Guernica, Brunette, and Madrid, and of mothers so desperate for food that they remain on queues in squares where bombs are falling. One heartbreaking picture I do not remember seeing earlier is of a pathetic, gallant fleet of flimsy First World War airplanes coming out to battle with a squadron of state-of-the-art German fighters that outnumbered them five-to-one.

Although, as Silverstein says, "Most of us thought we would never return," and although many of the nurses were seriously wounded, there were, miraculously, no fatalities in the nursing corps. Davidow speaks of their repatriation in 1938 saying, "It was a blurry teary day for me. I felt guilty. I had left all those people at the front. I didn't know what was gonna happen to them and I felt like a traitor."

Both of these, Kea, and many others, continued speaking at mass meetings and on street corners, trying futilely for a last minute rescue. Many of them, with Dorothy Parker, worked for years after the fall of Madrid to raise funds for the Spanish Children's Relief and a "Rescue Ship" to take the veterans interned in French camps to asylum in Mexico.

For those of us who were there this documentary will be a bitter bracing reminder of a tragedy and its heroes. For the many more born later it will reveal a history our history books deliberately forget.

Commentary from _____
Monthly Review
September 2004, Vol.56, No.4

Editors : HARRY MAGDOFF, JOHN BELLAMY FOSTER,
Founding Editors : LEO HUBERMAN (1903-1968) and
PAUL M. SWEEZY (1910-2004)

The nations of the Caribbean have the world's second highest HIV infection rates, after sub-Saharan Africa. One Caribbean nation, Cuba, however, has largely escaped the disease with only a 0.07 percent infection rate, one of the lowest infection rates in the world. On July 15 Cuba announced at a meeting with its counterparts from the 15-nation Caribbean Community (Caricom) that it was launching an initiative to help the other Caribbean nations fight HIV/AIDS by providing them with antiretroviral drugs at below market prices, as well as doctors and instruction in public health methods for combating the AIDS pandemic. Cuba's offer to help is viewed as nothing less than "spectacular" by the other Caribbean nations.

Why has Cuba managed largely to escape the AIDS pandemic? And why is Cuba in a position to offer so much aid to the other Caribbean nations—aid that is not forthcoming from much richer countries such as the United States? In 1983 Fidel Castro spoke to the Institute of Tropical Medicine in Cuba declaring that the mysterious illness, later known as AIDS, would be "the disease of the century." Cuba moved quickly to ban the import of blood from other countries and to test Cuban blood donations. Cuba also instituted mandatory HIV testing of at-risk communities such as soldiers returning home from abroad, tracing the history of sexual contacts of infected persons, and beginning in 1986 committing all those who tested positive for HIV to sanatoriums. The policy of quarantining those who were HIV positive came under heavy criticism from numerous global human rights groups, who saw it as a human rights violation. Cuba had rightly come under criticism for disgraceful anti-gay police measures taken in the late '60s and early '70s and then later repudiated. There were fears that all of this would be repeated in the context of the AIDS crisis (though the earliest AIDS patients in Cuba were heterosexuals who had worked abroad). Nevertheless, Cuba's AIDS sanatoriums were praised for

their conditions and the health provisions made for those living there. In the early 1990s Cuba allowed some of the patients in the sanatoriums to return home, and in 1994 it ended mandatory long-term confinement of those who were HIV positive. Building on its powerful public health model Cuba focused on AIDS education. Currently most patients spend a minimum of three months learning how to live with their illness, how to manage their medicines, and how to avoid spreading HIV to others.

Faced with the embargo from the United States that limited access to medicines and medical equipment, Cuban scientists beginning in 1993 placed heavy emphasis on developing antiretroviral drugs that could combat HIV. By 2001 Cuban medical research had on its own devised five different varieties of antiretroviral drugs. Every Cuban who is HIV positive has been put on therapeutic regimes utilizing these drugs. Cuba is now offering these antiretroviral drugs to all other Caribbean nations at affordable prices. Thus far poor nations have not been able to obtain the drugs they needed because of the high prices of such drugs emanating from pharmaceutical corporations in the United States and other capitalist countries. Cuba's response to the AIDS pandemic is thus a blow against imperialism as well as a contribution to global human health and worldwide humanitarian goals.

Recalling the sad history of the anti-gay police campaign of three decades ago, initial criticism of the harsh sequestration policy was certainly understandable. But today it is clear that the overall Cuban public health response to AIDS has worked. It strikingly conveys the difference between a capitalist and a socialist society: the highest priority for the latter is the people. Cuba's willingness to help other poor countries combat the AIDS pandemic is an important example of international solidarity, not domination of other countries.

Sources: "Cuba to Help Caribbean Fight AIDS," BBC News, July 16, 2004; "Cuba to Help Caribbean Fight AIDS," *Bellaciao*, July 16, 2004; Sheri Fink, "Cuba's Energetic AIDS Doctor," *American Journal of Public Health*, May 2003.

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record of continual disrespect for the democratic and legal rights of national minorities, largely continuous with the record of their British predecessors and tutors in the art of imperial misrule. To deal with the resulting insurgency, the government has endowed itself with extraordinary powers, in particular the draconian *The Armed Forces (Special Powers) Act, 1958* (AFSPA). This act is a harsher version of the colonial ordinance that Lord Linlithgow decreed on August 15, 1942, to suppress the Quit India Movement. In 1958, it was immediately clamped on parts of Manipur, which were declared 'disturbed areas'. In 1965, the whole of Mizoram, then still part of Assam, was declared 'disturbed'. In 1972, the Act was extended to all the seven states, Assam, Manipur, Tripura, Maghalaya, Arunachal Pradesh, Mizoram and Nagaland, in the north eastern region of India. By 1980, the whole of Manipur had been declared 'disturbed'. The only other state under this Act is Kashmir. The Act allows any commissioned officer, warrant officer, non-commissioned officer or any other person of equivalent rank of the armed forces in an area notified as 'disturbed' to arrest, search and even kill civilians on suspicion. It provides impunity from legal action unless prior consent is obtained from the Union government. At every stage of the operation of this law, only the subjective satisfaction of the officer in charge is required.

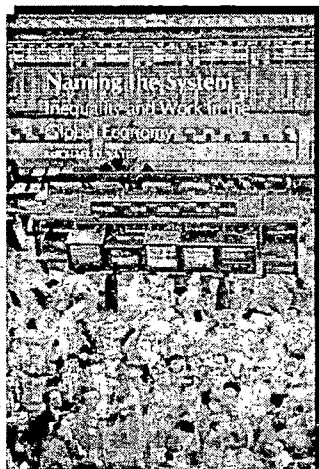
Most of the rape by the army goes unreported due to fear of social stigma and the futility of taking up an embarrassing legal battle against the might of the Army. Dozens of rape cases by the security personnel have been exposed, but only in one case were rapists tried and punished, that too in their own military court. In August 1996, two army men raped a woman in front of her 12-year-old son, during the course of a 'counter insurgency' operation. The army authorities took up the case only after a mass movement. To this day it remains the single exception to the rule of military impunity for even the most brutal of offenses.

Even children cannot escape from torture. For example, on 25 March 1999, following the investigation of a murder case, Chabungbam Jamini, an 11 year old girl, was taken into custody by 32 Assam Rifles stationed at Yairipok, on the charge that she was the girl friend of an underground activist. She was interrogated at their camp. The recorded version of the girl's testimony was broadcast at a public meeting convened by the commander of the Assam Rifles post, for reasons best known to himself, on 31 March. Two days later, on 2 April 1999, the girl committed suicide, unable to bear the public humiliation. The father of the girl Chabungbam Sukhapur filed a complaint to the MHRC (case no. 30 of 1999). The matter was referred to the NHRC. Nothing happened thereafter.

In most individual cases of this spiraling violence, the general public watches helplessly if even aware of the assaults, torture and murder. Only when large numbers of civilians are murdered do the media report the occurrence, and the general public gets outraged. Some such well documented case are the Heirangoithong Massacre (1984) where 13 spectators of a volley ball match were arbitrarily killed by the CRPF; the Oinam Massacre (1987) where 15 villagers were arbitrarily murdered by the Assam Rifles; the RMC Massacre (1996) where 9 civilians including a medical student were killed inside the hospital premise by the CRPF; the

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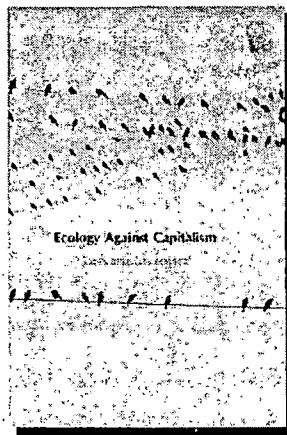
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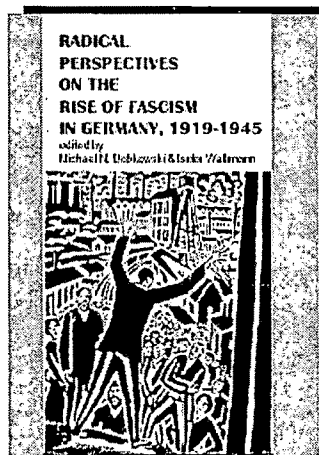


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PAUL
M.
SWEEZY

A
Collective
Portrait

ANALYTICAL MONTHLY REVIEW

October 2004

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Editorial

Every year, as a matter of routine, various experts do their analyses in their own domain giving their opinion of the good and bad effects of the annual budget. This year, the increase in the allocations for rural development between 2003-04 and 2004-05, *i.e.*, rising from Rs 14,070 crore to 15,998 crore, has drawn much attention and not a few have tried to depict this quite modest increase as pro-poor. But we would suggest instead that attention be paid to the massive increase in the military expenditure allocations, which has generally passed unnoticed. The

(continued on inside back cover)

Farewell, Comrade Paul

HARRY MAGDOFF

This eulogy was read by Robert W. McChesney at a memorial meeting for Paul M. Sweezy on April 17, 2004, in New York City.

— The Editors of *Monthly Review*

If I belong anywhere today, it is with you. But to my great regret, I cannot be physically present. No doubt other speakers will deal with Paul as a major theoretician, a worldwide influential thinker and struggler for the sake of humanity. And there is much to say about Paul the human being. Not to monopolize the stage, I have selected two areas to dwell on: Paul as a friend and Paul as a coworker.

We became friends a little more than fifty years ago. Of course, the friendship didn't spring up out of thin air. It began in a loose acquaintanceship intertwined with Leo Huberman and Paul Baran.

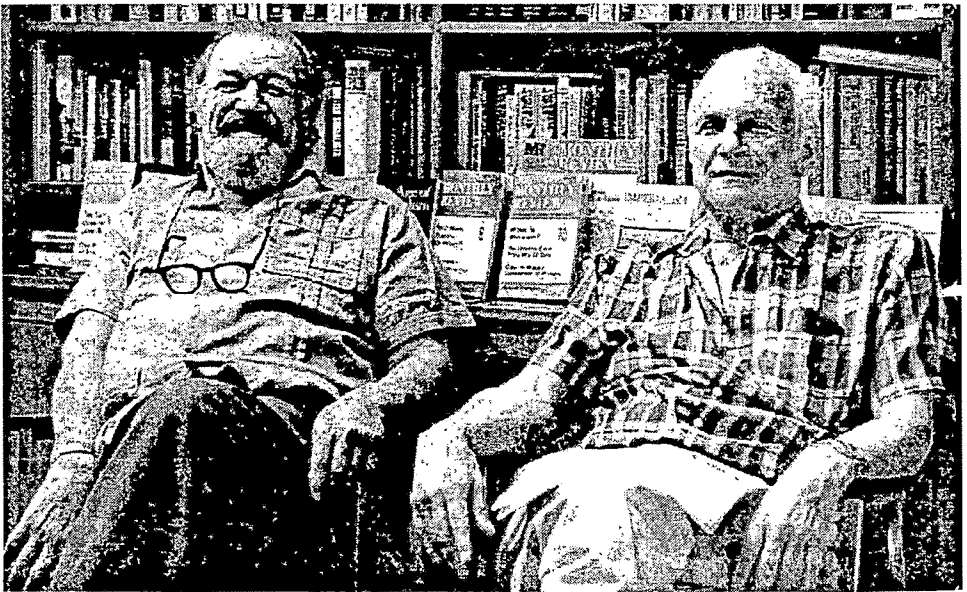
In the early days, a group of us used to meet weekly to discuss what was going on in the world, Marxist theory, and related topics. A wit named the group "martyrs and convicts." We were all hounded by the FBI and Congressional committees, blacklisted, and threatened with imprisonment. And one of us had actually served a term in jail. Whenever Paul was in New York, he participated. The talk frequently centered on the contents of *Monthly Review*. Our friendship blossomed at these discussions and in social gatherings, mainly at dinners organized by my wife, Beadie. More than the fingers of both hands would be needed to list all the unasked-for favors Paul bestowed. I recall especially when Beadie and I were stuck in Cambridge under doctor's orders not to drive our car home. Out of the blue, Paul arrived in Cambridge to drive us home in our car.

Despite the growing friendship and the frequency of being on the same side of arguments, I was startled by Paul's invitation to be coeditor of *MR*. Leo died in Paris when the two of them were on a European trip. Harry Braverman and I went to the airport to meet Paul. He was clearly upset and melancholy. He began to talk about the need for a successor to Leo. Harry and I urged him to wait until he was calmer and had time to reflect on the potential candidates.

Shortly thereafter, Paul asked me to join him as coeditor. The terms would be on a fully equal basis—the same as with Leo. I would be given 50 percent of the stock. As you will surely understand, that had no financial significance. But it was in Paul's way a symbol of full partnership.

I asked Paul to take more time before acting on the selection of an equal partner. In fact, I hesitated to accept. I didn't think I was qualified. I felt unprepared and needed time to catch up on the literature of the previous decades. Moreover, I didn't think I was in the same league as Paul.

I resisted and urged him to consider other prospects. He refused and argued that I would have little to do. He would do all the writing; all I would need to do was review and comment on the material going into the magazine. Before long I began to turn out Reviews of the Month and other chores. After a while I reminded him of his early promise about writing and other responsibilities, Paul smilingly answered, "You didn't believe me, did you?"



Harry Magdoff and Paul Sweezy in the MR office

What followed was over thirty years of a remarkable collective relationship. Our social origins—or, if you wish, class differences—were distinctly apart. Paul had about the best education one can get in the United States. Mine was scraggly and very ordinary. We came to Marxism and socialism by different routes. Nevertheless,

we worked year in and out in close harmony. I don't mean the absence of disagreements, but we never had a quarrel. No voices were ever raised. We always found a way to compromise, if needed. It was the best of human relations, a marriage in thought and purpose. The role and continuity of *MR* was what counted. It didn't hurt that in personal matters mutual aid was the guide.

Paul and Leo had an understanding that if they disagreed on the Review of the Month, *MR* would then print two pieces up front, each coeditor presenting his analysis. Paul's invitation to me included a continuation of that practice. There were indeed two occasions in Paul and Leo's coeditorship when separate articles were run side by side. One had to do with the struggle between Israel and Palestine, the other concerned the entry of the Red Army into Czechoslovakia. In the latter case each one asked for my approval. Leo's article attacked the Soviet invasion. Paul focused on the steps Czechoslovakia was taking in the direction of market socialism. He saw in it an eventual return to capitalism—an analysis that we now can recognize in Eastern Europe and China.

Paul was a socialist through and through in his passions and in his theories. His heart was with the masses, working in full sympathy with and understanding of social revolutionary and national liberation struggles.

His theory of socialism fully embraced the necessity of national planning, including the need to control foreign trade. He certainly did not close his eyes to counterrevolutionary tendencies in really existing socialism. But he never departed from the thoroughness of his belief in the need for socialism—a socialism based on empowering the poorest and the most oppressed on a road to an egalitarian society—one that was truly run by *all* the people and for *all* the people.

Paul's last years were tough. The decline was a long one, accompanied by pain and infirmity. We should be grateful to his wife, Zirel, for her care and concern during the bad as well as the good years.

In the good years, Paul and I talked by phone almost every day. It became increasingly difficult to communicate in recent years. We couldn't hear or understand each other. Not long before he went into the hospice program, Paul suddenly asked Zirel to get me on the phone. His voice was clear, and we exchanged some comments on the world and on *MR*. As his energy began to drop, his last words were, "I love you Harry." I answered accordingly. But I never got to say goodbye. Let me say it now. Farewell, Comrade Paul.



The Commitment of an Intellectual

Paul M. Sweezy (1910–2004)

JOHN BELLAMY FOSTER

The following brief intellectual biography of Paul Sweezy was drafted in September 2003 shortly before I saw Paul for the last time. It conveys many of the basic facts of his life. But as with all biographies of leading intellectuals it fails to capture the brilliance of his work, which must be experienced directly through his own writings. Nor is the warmth of Paul's character adequately conveyed here. A short personal note is therefore needed. What was so surprising about Paul was his seemingly endless generosity and humanity. Paul gave freely of himself to all of those seeking his political and intellectual guidance. But a few, such as myself, were particularly blessed in that they experienced this on a deeper, more intense level. For decades Paul was concerned that *Monthly Review* not perish as had so many socialist institutions and publications in the past. He recognized early on that the continuance of the magazine and the tradition that it represented required the deliberate cultivation of new generations of socialist intellectuals. I was fortunate to be singled out while still quite young as one of those. For decades Paul wrote me letter after letter—no letter that I wrote to him ever went unanswered—sharing his knowledge, intellectual brilliance, and personal warmth. It was an immense, indescribable gift.

I first saw Paul when I was still a teenager. He had just returned from China and was speaking at the University of Washington in Seattle to an enormous crowd that seemed to dwell on his every word. In my twenties when I was a graduate student at York University in Toronto Paul took me under his intellectual wing after I sent him a manuscript that I had written entitled, "*The United States and Monopoly Capitalism: The Issue of Excess Capacity*." My

A note on the text: A version of this biographical essay was originally made available on *MR's* website a few days after Paul died and was widely referred to by writers and journalists throughout the world. It appears here in print in the magazine for the first time. In addition to providing an account of Paul Sweezy's life and work it also contains very brief biographies of Paul Baran, Harry Magdoff, and Harry Braverman, since their contributions were in many ways inseparable from his. — Editors of *MR*

earlier work for my master's degree had been on the political economy of Joseph Schumpeter, who had been Paul's close friend and in a sense mentor, and my sharing of that work as well brought us closer together. For the next quarter century Paul and I communicated regularly—corresponding weekly, talking on the phone, and conversing in person during the few occasions each year in which we were able to get together. I visited him a number of times at his house in Larchmont, New York. I wrote my first article for MR in 1981 on the subject of monopoly capitalism. Soon afterwards I began working together with Henryk Szlajfer on an edited collection of essays entitled *The Faltering Economy: The Problem of Accumulation Under Monopoly Capitalism* (Monthly Review Press, 1984) that was meant to explain the origins and development of the monopoly capital theory. I wrote my dissertation on *The Theory of Monopoly Capitalism: An Elaboration of Marxian Political Economy*, published in expanded form by Monthly Review Press in 1986. In all of this Paul was a constant source of encouragement. Beyond mere intellectual support, Paul's friendship extended to all the exigencies of life and if I had a personal or family crisis he was always there helping with his incomparable friendship and advice.

Very soon after I met Paul and Harry Magdoff I began to help them with MR in all the ways I could and by the end of the 1980s I was a director of the board of the Monthly Review Foundation and a member of the informal editorial committee of the magazine. In this dual capacity I saw Paul a couple of times a year. In the year 2000 I became coeditor of *Monthly Review*, along with Paul, Harry, and Bob McChesney. This was a time when Paul's declining health had curtailed his active involvement and Bob and I stepped in feeling it was necessary to do what we could, together with Harry, to save the magazine. I can imagine no more important intellectual task for a socialist than to try to continue on the path that Paul and Harry (and in the beginning Leo Huberman) charted. Paul was a heroic figure in the modern struggle for socialism. His last words to me as he neared the end and faded in and out of consciousness were "I knew you were still there." He was referring to my relation to MR and the struggle that it embodied. For me this was the highest compliment. Paul's dedication to the struggle for humanity and socialism, which could not be separated from his love for his own family and friends, remained with him up until the time of his death. For those of us who knew and loved Paul the commitment to equality and justice will always run that much deeper because it was embodied in his life, and now, in our memories of him.—JBF

Paul M. Sweezy, referred to by *The Wall Street Journal* in 1972 as "the 'dean' of radical economists," was, in the words of John

THE COMMITMENT OF AN INTELLECTUAL

Kenneth Galbraith, "the most noted American Marxist scholar" of the second half of the twentieth century.¹ Sweezy's intellectual influence, which was global in its reach, lay chiefly in two areas: as a leading radical economist (and sociologist), and as the principal originator of a distinct North American brand of socialist thought in his role as cofounder and coeditor of *Monthly Review* magazine. Like both Marx and Schumpeter, to whose thought his work was closely related, Sweezy provided a historical analysis and critique of capitalist economic development, encompassing a theory of the origins, development, and eventual decline of the system.

Paul Marlor Sweezy was born April 10, 1910, in New York. His father, Everett B. Sweezy, was vice president of the First National Bank of New York, then headed by George F. Baker, a close partner of J. P. Morgan and Company. His mother, Caroline (Wilson) Sweezy was in the first graduating class of Goucher College in Baltimore. He had two older brothers, Everett, born 1901, and Alan, born 1907. All three brothers went to Exeter and then to Harvard. In the early years, Paul followed in the footsteps of his brother Alan. Both Alan and Paul were editors of the *Exonian* and then later presidents of the *Harvard Crimson*. Both studied economics at the undergraduate and graduate levels at Harvard. Paul had all but completed his senior year at Harvard when his father died in 1931, interrupting his studies. Consequently, he did not graduate (*magna cum laude*) until the following year in 1932. In 1931-32, however, having already finished his undergraduate studies, he began graduate courses in economics at Harvard. It was during this time that his interests shifted decisively from journalism (an early and important influence on his work) to economics.

In 1932 Sweezy went to England for a year's study at the London School of Economics (LSE). During school breaks he also studied for several months in Vienna. These experiences changed his life and outlook considerably. Like many he had been shaken by the onset of the Great Depression. His father had lost the greater part of his fortune in the 1929 stockmarket crash, although enough remained to ensure a comfortable existence. In Britain Sweezy was awakened by the intellectual and political ferment in response to the deepening depression and Hitler's rise to power in Germany. His initial intention in attending the LSE was to work with the conservative economist Friedrich Hayek. However, in the heated debates then taking place, particularly among younger scholars, Sweezy found himself increasingly attracted to Marxism. Lectures that he attended by Harold Laski at the LSE and his reading of Leon Trotsky's *History of the Russian Revolution*, which had just been translated into English, were key influences inducing Sweezy's change in perspective. He was also affected by the rapid developments in economics in England during this period. It was at

this time that he became acquainted with some of the younger, left-leaning Cambridge economists, including Joan Robinson.

In 1933 Sweezy returned to the United States to continue his graduate studies in economics at Harvard where the intellectual climate had been dramatically transformed. Marxism, which in his prior years at Harvard had played no part in his education, had by then become an important topic of discussion. One big change was the arrival at Harvard of Joseph Schumpeter, one of the foremost economists of the twentieth century. A conservative economist, Schumpeter nonetheless had enormous respect for the economics of Karl Marx, even going so far—as Sweezy once put it—“to build a structure of thought which was to rival Marx. In other words he took Marx as a model in a way.”² Schumpeter had a small seminar of around a half-dozen students in which Sweezy took part. Over the years the two became fast, even legendary friends, engaged in continual intellectual discussions and debates, in which other notable figures such as Oskar Lange and Wassily Leontiev and later Paul Samuelson also took part. Sweezy was for two years Schumpeter’s teaching assistant in his graduate course in economic theory.

During these years Sweezy cofounded the journal *Review of Economic Studies* and published a series of important economic essays on issues of imperfect competition, the role of expectations in Keynesian analysis and economic stagnation. He was deeply affected by the revolution in economics introduced by John Maynard Keynes and incorporated aspects of Keynes’s analysis into his thought while remaining a Marxian critic.

In September 1936 Sweezy and Abba Lerner, a young economist at the London School of Economics, wrote a letter to the [London] *New Statesman and Nation* responding to an earlier article by Keynes on British foreign policy in that publication. They argued that the failure of Britain to oppose the fascist powers in Ethiopia and Spain was a product of the class interest of the British ruling class, which, while opposed to fascism generally, put the defense of private property ahead of its national interests. Any other interpretation but the Marxist one, they argued, would leave analysts such as Keynes, as he himself had indicated in his article, merely “surprised at the incredible stupidity that must be attributed to the British Foreign Office.” The two young economists ended their letter by indicating their “very highest admiration for Mr. Keynes’ work in our field. We think he has done more than any other writer in our time towards laying bare one of the deepest contradictions of the capitalist economy, the coexistence of willing hands and open mouths.” Keynes replied that the explanation for these shortcomings of British foreign policy was the “unqualified pacifism” of much of the British public. “Those who fail to observe

it and interpret everything in terms of Capitalist and Communist theory are blind to their surroundings.”³

After Keynes's *General Theory of Employment, Interest and Money* was published in 1936, Sweezy became a very active participant in the Harvard discussions surrounding the Keynesian revolution in economic theory. At the same time he married a young economist, Maxine Yapple.

During this period Sweezy worked for various New Deal agencies. In 1937 he carried out an important study of “Interest Groups in the American Economy” for the National Resources Committee (NRC), which was published in 1939 as an appendix to the NRC's well-known report, *The Structure of the American Economy*. In opposition to Berle and Means's claim that a large number of U.S. firms were management controlled, Sweezy argued that it was possible to discern eight leading “interest groups” consisting of industrial and financial alliances. In the first group he listed the investment banking firm of J. P. Morgan and Co. and its alliance with the First National Bank, in which his father had worked. Sweezy also carried out research for the Security and Exchange Commission on their study of monopoly in 1939, and for the Temporary National Economic Committee, which was charged with analyzing issues of competition and monopoly in the U.S. economy in 1940.

Sweezy's first formal economic publication was “Professor Pigou's Theory of Unemployment” published in the *Journal of Political Economy* in 1934. Over the course of the 1930s he wrote more than twenty-five articles and reviews on economic topics. Two of the papers that he wrote in this period were to be of lasting importance. The first was his article “Expectations and the Scope of Economics” in the *Review of Economic Studies* in June 1938. The second was his classic article, “Demand Under Conditions of Oligopoly,” in the *Journal of Political Economy*, August 1939. The earlier article reflected the Keynesian concern with expectations under conditions of economic disequilibrium and uncertainty. The second introduced the famous “kinked demand curve” theory of oligopolistic pricing, which explained why oligopolistic prices tend to go only one way—up. Both of these themes were to play a large role in the later theory of monopoly capital, as developed by Sweezy and Paul Baran. The kinked demand curve hypothesis originally developed out of Sweezy's 1937 dissertation *Monopoly and Competition in the English Coal Industry, 1550-1850*, which won the David A. Wells prize and was published in the following year by Harvard University Press. Schumpeter was on Sweezy's dissertation committee.

In 1938 Sweezy became an instructor at Harvard. During these years he and his brother Alan helped in the founding of the Harvard Teacher's Union, a branch of the American Federation of Teachers. In addition to teaching the principles of economics and a course on

corporations, he took over a course on the economics of socialism formerly taught by Edward Mason. It was in the process of developing the lectures for this course that he wrote his seminal work *The Theory of Capitalist Development: Principles of Marxian Political Economy* (1942). He later explained that it had required an enormous struggle on his part to shift from the marginal utility analysis that he had learned through classic texts by figures like Harvard's Frank Taussig, to Marx's labor theory of value. This was a shift in thinking that could not be accomplished in a day or even a year, since each of these frameworks raised entirely different sets of questions. In drafting the manuscript for *The Theory of Capitalist Development* he received help from the Japanese economist Shigeto Tsuru, who was then studying at Harvard and provided an appendix on Marx's reproduction schemes for the book. This classic work is still used to teach Marxian analysis to students in economics. More than simply a textbook it made a number of pioneering contributions, including: its emphasis on the qualitative (not simply quantitative) value problem in Marx's treatment of the labor theory of value, its elaboration of the Bortkiewicz solution to the transformation problem; and its discussions of crisis theory and monopoly capitalism. Its introduction also provided what was to be an influential explanation of Marx's method.

The most important conclusion of *The Theory of Capitalist Development* had to do with the long-run stagnation of investment under capitalism arising from a built-in tendency in the system toward the overaccumulation of capital. "Stagnation of production, in the sense of less-than-capacity utilization of productive resources," Sweezy wrote, evoking a theme that was to repeat itself again and again in his work, "is to be regarded as the normal state of affairs under capitalist conditions. If this view is adopted the whole crisis problem appears in a new light. Emphasis shifts from the question: 'What brings on crisis and depression?' to its opposite: 'What brings on expansion?'" *The Theory of Capitalist Development* appeared in the same year as Schumpeter's *Capitalism, Socialism and Democracy* and the two works can be seen as two sides of a complex debate on the future of capitalism and socialism. Schumpeter referred numerous times to Sweezy, and in particular to *The Theory of Capitalist Development*, in his *History of Economic Analysis* (1951), where he "strongly recommended" Sweezy's book, "as an admirable presentation of Marx's (and most of the neo-Marxists') economic thought."

Both Sweezy's *Theory of Capitalist Development* and Schumpeter's *Capitalism, Socialism and Democracy* were concerned with the question of economic stagnation that had become a pressing issue during the sharp recession of 1937 when unemployment leapt from 14 percent to 19 percent. Prior to this it

had been assumed by most economists that recovery from the depression would occur continuously "of itself" (as Schumpeter put it) until full recovery was reached. The fact that the economy had instead sunk once again in 1937, well before full recovery, therefore came as a great shock generating a far-reaching debate over the reasons for stagnation. The question was most famously posed in the title of an important 1938 book, *Full Recovery or Stagnation?*, by Alvin Hansen, then the most prominent Keynesian economist at Harvard. Still, it took more than Keynes's *General Theory* and fears of continuing economic stagnation to propel Washington toward "Keynesian" economic policies. Crucial in this respect in the context of the recession of 1937 was a small book written by a number of Harvard and Tufts economists entitled *An Economic Program for American Democracy*, which became a Washington bestseller. Paul Sweezy and his wife, Maxine Yapple Sweezy, were among the authors and signatories.

Paul Samuelson, winner of the first Nobel Prize in Economics, later recalled a debate in the late 1930s between Joseph Schumpeter and Paul Sweezy, "the foxy Merlin" and the "young Sir Galahad," at a time "when giants walked the earth and Harvard yard." Sweezy, Samuelson wrote, "was the best that Exeter and Harvard can produce...[and] had early established himself as among the most promising economists of his generation....Unfairly, the gods had given Paul Sweezy, along with a brilliant mind, a beautiful face and wit....If lightning had struck him that night, people would truly have said that he had incurred the envy of the gods." Samuelson recalled "the interchange of wit, the neat parrying and thrust, and all made the more pleasurable by the obvious affection that the two men had for each other despite the polar opposition of their views."⁴ Both saw the tendency toward stagnation as evidence that capitalism would inevitably fade. For Schumpeter this was because of political controls placed on the system. For Sweezy it was due to the contradictions embodied in capitalism's own economic development, where capital, as Marx said, was the main barrier to capital itself.

Sweezy's admiration for Schumpeter's economics, despite the radical differences in their assessments of capitalism, was made explicit elsewhere and on numerous occasions. In a review of Schumpeter's great 1939 work *Business Cycles* in the *Nation* (February 3, 1940) Sweezy wrote that, "Better than any economist since Marx, Professor Schumpeter has succeeded in viewing capitalism as essentially a transitory historical epoch with its own ethos and its own laws of development." In an important article, "Professor Schumpeter's Theory of Innovation," published in *The Review of Economic Statistics* (now *The Review of Economics and Statistics*) in February 1943, Sweezy explained the essence of his

debate with Schumpeter. Schumpeter argued that innovation should be seen as the stimulus to profits and accumulation, resting on the sociological role of the entrepreneur. In contrast, Sweezy insisted that innovation should be seen as subordinate to the accumulation process.

Others, besides Samuelson, recalled the stagnation debate and the interchanges between Schumpeter and Sweezy at this time as great moments in their own lives. Galbraith later referred to Sweezy as "a dominant voice" in the debates on stagnation and the future of capitalism of the 1930s. Tsuru said that in his "sacred decade of twenties" (Schumpeter's stock phrase), Sweezy was "the kingpin in the Golden Era of the Harvard Economics Department in the 1930s."⁵

With the United States entering the Second World War, Sweezy was anxious to play an active role in the fight against fascism. In the 1930s he had been a member of the League Against Fascism and War and various popular front organizations. He left Harvard to join the army in the fall of 1942. Shortly before he enlisted he and Maxine Yapple divorced.

Sweezy went into the army as an officer candidate and was assigned to the Office of Strategic Services (OSS) working under his former Harvard professor and colleague Edward Mason. He went to work in Washington in the summer of 1943. In the late fall 1943 he was sent to London to join the Research and Analysis program of the OSS there, where his immediate superior was another noted U.S. economist, Chandler Morse. Sweezy's chief role was to keep an eye on British economic policy for the U.S. government. He met frequently with economist James Meade, who was in the British economic warfare agency. It was clear that the war would result in a reorganization of world economic relations and that the United States was interested in coming out of the war, as Sweezy was to recall, as the "top dog." At that time Britain was still considered to be the number two economy and the whole question of what to do with the British Empire had not yet been decided. Sweezy later regarded his experiences in the war as reflecting the whole of U.S. policy toward its allies with regard to postwar planning and the constitution of U.S. hegemony that was described in Gabriel Kolko's *The Politics of War*.

The Research and Analysis section of the OSS produced reports and analyses of developments in particular countries that were distributed to several hundred military agencies and commands in the European theatre of operations. The London branch of the Research and Analysis section had been publishing for some time a newsletter that was a weekly summary of what was happening in the Axis countries, derived mostly from the German press, but also from other occupied areas. This information was collected in neutral Portugal and then channeled into London. Sweezy began working on

the newsletter and turned it into a monthly magazine—called the *European Political Report*—that drew on an expanded range of sources. The newsletter took an explicitly New Deal-leftist, antifascist stance. For example, it adopted a very anti-British position on the 1944 British assault on the Greek resistance. Having encountered Sweezy in London in those days, economist Tibor Scitovsky later recalled that he had mentioned how much he enjoyed the work on the OSS magazine, and that he had declared his desire to start his own magazine when he returned to the United States after the war.⁶ The London branch relocated to Paris in the winter of 1944–45 and then to Wiesbaden in the spring. Later some of his branch relocated to Berlin, where he witnessed the devastation caused by the allied bombing.

In September Sweezy was sent home and demobilized. He had reached the rank of second lieutenant and was awarded the Bronze Star Medal in 1946. The citation specified that the medal was for his role as editor of the *European Political Report*.

After the war, Sweezy received a Social Science Research Council Demobilization grant, which was designed to allow scholars who had been in the military to resume their research. He settled in Wilton, New Hampshire and married Nancy Adams, his second wife, who he had met in London in 1944. They had three children: Samuel Everett (born 1946), Elizabeth (Lybess) MacDougall (born 1948), and Martha Adams (born 1951).

During these years he made occasional trips to Cambridge, Massachusetts to use the library and settled down to a life of study, writing frequently for the *Nation*, the *New Republic* and other publications. He spent six months reading the first six volumes of Toynbee's *Study of History*, which he greatly admired, reviewing it for the *Nation*. At the same time Sweezy wrote his book *Socialism* (1949) as well as most of the essays that were to appear in *The Present as History* (1953). Shortly after Schumpeter's death in 1950 he edited and introduced a book of two of Schumpeter's essays, which were translated for the first time by Heinz Norden, under the title *Imperialism and Social Classes*. He ended his introduction by "paying his respects" to his great friend: "He is gone now, and neither Harvard nor the economics profession will ever be the same again." Sweezy also edited a volume containing three classic works on the transformation problem of Marxian economics: *Karl Marx and the Close of his System* by Eugene Böhm-Bawerk; *Böhm-Bawerk's Criticism of Marx* by Rudolf Hilferding; and "On the Correction of Marx's Fundamental Theoretical Construction in the Third Volume of *Capital*" by Ladislaus von Bortkiewicz (which Sweezy translated into English from the original German). In his 1950 critique of Maurice Dobb's *Studies in the Development of Capitalism* in the pages of *Science &*

Society, Sweezy, following Marx, emphasized the role of the world market in the decline of feudalism and launched the famous debate over the transition from feudalism to capitalism that has played a central role in Marxist historiography ever since.

One issue for Sweezy at this time was whether he would resume his teaching position at Harvard and whether he would pursue a career as an academic. Having taken a military leave during the war, he still had two years left on his five-year contract as an assistant professor at Harvard. During the war a tenured position in economics at Harvard had opened, where it was necessary to appoint someone immediately. Sweezy was one of the two candidates considered for the job. The other was John Dunlop, who subsequently became a well-known labor economist and Secretary of Labor in the Ford administration. Schumpeter was a very strong supporter of Sweezy's candidacy. Schumpeter wrote to Dean Paul H. Buck in May 1945 that Sweezy's *The Theory of Capitalist Development* was "a masterly exposition of the Marxian system of thought" and that "this task...has been attempted by dozens of economists of all countries [but] has never before been done so well." Responding to criticisms that Sweezy was a Marxist, Schumpeter wrote to the dean: "Whether we accept Marxian economics or not, it is of sufficient importance in economic thought to justify the task of propounding it from the standpoint of which it was conceived."⁷ Dunlop, however, received the tenured appointment. After his return from the war, Sweezy inquired among his friends in economics at Harvard about the chances of his securing a tenured position. It was made clear to him, no doubt partly based on these prior circumstances, that there was then no chance of the appointment of a Marxist. Sweezy later insisted that if he had not been so fortunate as to have had access to surplus value through his family inheritance he would probably have been forced like so many others to succumb to the kinds of controls and pressures inevitably exerted on those who earn their livings in the academy. As it happened, however, he was under no such need to conform and he chose not to resume his former teaching position.

The persistent dream of starting a monthly magazine also helped draw Sweezy away from a university-based career. After the war he was in frequent contact with Leo Huberman, whom he had known since the 1930s. Huberman was an accomplished labor educator, journalist, and writer of best-selling histories of economic development and labor struggles. He had been chairman of the department of social sciences at New College of Columbia University, labor editor for the newspaper *PM*, a columnist for the magazine *U.S. Week*, and director of education and public relations for the National Maritime Union. His most popular books were *We, the People* (1932), *Man's Worldly Goods* (1936), which sold more

than half a million copies, *The Labor Spy Racket* (1937), and *The Truth About Unions* (1946). Huberman and Sweezy started fantasizing in the late 1940s about starting a political magazine, but saw no opportunity to make it concrete. This changed near the end of 1948. Among Paul's closest friends was the great Harvard literary scholar F. O. Matthiessen, the author of *American Renaissance* (1941) and a founder of American Studies. They had worked together in establishing the Harvard Teacher's Union and had remained in touch ever since. After the demise of Henry Wallace's 1948 presidential campaign, in which Huberman, Sweezy, and Matthiessen had all been involved, Matthiessen, who had heard Huberman and Sweezy talking about their desire to start a new magazine, visited Sweezy in New Hampshire and told him that he had inherited some money that he had no personal need for and offered them \$5000 each year for three years in succession to start the magazine. The result was *Monthly Review: An Independent Socialist Magazine*, the first issue of which appeared in May 1949 with an article by Albert Einstein entitled "Why Socialism?" Otto Nathan, an economist who had been a left Social Democrat in pre-Nazi Germany before he migrated to the United States obtained the article from Einstein. Nathan was a friend of Huberman's and was for a short time a silent coeditor.

Unlike most socialist publications that once conceived expire quickly, *Monthly Review* flourished from the beginning, and currently is in its fifty-sixth year of publication. By the end of its first year the magazine had about 2,500 subscribers. Total circulation peaked in 1977 at around 12,000. In the 1980s and early '90s circulation ebbed as radical publications in general went into decline, falling to less than 5000 by 1996. The magazine began a comeback in the late 1990s, its circulation rising to over 7,000 in 2003. *Monthly Review's* readership, however, has always been considerably beyond what its U.S. circulation numbers would suggest. It was once referred to as "the most famous unknown magazine in America."⁸ Copies are frequently circulated by hand literally across the globe. It has been published in Italian, Spanish, and Greek editions—all of which have now expired. Currently a low-cost edition is being printed in India. Editorial Hacer in Barcelona now publishes two 160-page issues each year of *Monthly Review—Selecciones en castellano*, a collection of recent and classic MR articles, translated into Spanish.

Monthly Review has often been characterized as the leading independent Marxist periodical in the English-speaking world, if not in the world as a whole. Always charting its own way it stayed clear of the ideology of the Soviet bloc, refusing to adopt any party line. From the start, its reputation was grounded in its economic analysis. In a portrait of the editors in 1963, *Business Week*

magazine called Huberman and Sweezy's vision in *Monthly Review* "a brand of socialism that is thorough-going and tough-minded, drastic enough to provide the sharp break with the past that many leftwingers in the underdeveloped countries see as essential. At the same time they maintain a sturdy independence of both Moscow and Peking....Their skill at manipulating the abstruse concepts of modern economics impresses would-be intellectuals...their analysis of the troubles of capitalism is just plausible enough to be disturbing." *Monthly Review*'s "influence abroad," *Business Week* contended, "was out of proportion to their U.S. following."⁹ In the 1960s a survey sponsored by Time International (a Time Inc. publication) revealed that Paul Sweezy was one of the ten Americans that Japanese business leaders and opinion makers "would most like to meet."¹⁰

The magazine was never, however, simply an economics publication. It took as its responsibility the need to provide a critical assessment of "the present as history," and was noted too for its political and historical and occasional cultural analyses. Its authors frequently looked like a *Who's Who* of the left, including such figures as: Albert Einstein, W. E. B. Du Bois, Shirley Graham, Jean-Paul Sartre, Fidel Castro, Che Guevara, Malcolm X, Edgar Snow, I. F. Stone, R. H. Tawney, G. D. H. Cole, Henry Wallace, William Appleman Williams, Eduardo Galeano, Anna Louise Strong, C. Wright Mills, Lorraine Hansberry, Anne Braden, Daniel Ellsberg, Noam Chomsky, E. P. Thompson, Michal Kalecki, Joan Robinson, Isabel Allende, and Samir Amin, among many others. Coming into existence in the same year as the Chinese Revolution, *Monthly Review* was distinguished from the start by its focus on imperialism and revolution in the third world. Huberman and Sweezy opposed and critically dissected the Korean War from the beginning. The first Review of the Month (the article-length, lead editorial that sets the tone for the magazine) devoted to the Indochina War was written in 1954. When Ned O'Gorman returned from a U.S. State Department trip to Latin America in 1964 he wrote in the *National Catholic Reporter*, "The *Monthly Review*'s editors, Huberman and Sweezy, Edgar Allen Poe, Walt Whitman and JFK are the Americans I hear most spoken of in South America."¹¹ In 1966 MR received the City of Omega Award, a literary prize awarded by a committee of former Italian-resistance fighters and previously won by Jean-Paul Sartre and Franz Fanon. The award citation declared: "The fundamental genius of these two writers lies in a Marxist humanism. In the world's struggle against capitalism and imperialism there has been neither an argument nor an event which has not found in the works of Huberman and Sweezy an interpretation of high intellectual caliber and painstaking lucidity."

In the 1950s the principal concerns of *Monthly Review* were the

Cold War abroad and McCarthyism at home. Huberman and Sweezy were never naïve enough to assume that the McCarthy era was simply a "red scare." It had its larger meaning in the attempt to smash the old New Deal coalition between labor, farmers, and civil rights activists. Not surprisingly, both editors were targets of the inquisition in this period. Huberman was called before Senator McCarthy's committee in 1953. New Hampshire Attorney General Louis C. Wyman, who was charged by the state legislature with investigating "subversive activities," subpoenaed Sweezy on two occasions in 1954. The investigation focused on a lecture that Sweezy had delivered at the University of New Hampshire, as well as Sweezy's role in the 1948 Progressive Party presidential campaign of former U.S. Vice President Henry Wallace. Sweezy had served as chairman of the Wallace campaign in New Hampshire.

Taking a principled stand against the proceedings on First Amendment grounds, Sweezy refused to answer questions on the membership and activities of those who had participated in the Wallace campaign; the contents of his guest lecture at the University of New Hampshire; and whether or not he believed in Communism. He was declared in contempt of court and briefly imprisoned. His case was appealed and worked its way through the state and federal courts to the U.S. Supreme Court, which ruled in Sweezy's favor in *Sweezy vs. New Hampshire* on June 17, 1957. The court found there was no legal evidence that the New Hampshire legislators actually wanted the Attorney General to obtain answers to these questions; and that the violation of Sweezy's constitutional liberties could not be justified on the basis of political activities only "remotely connected to actual subversion." The written opinions of Chief Justice Warren and Justice Frankfurter in this case have been regarded as among the most important judicial statements on academic freedom. Sweezy, in a statement that he presented to the New Hampshire Attorney General and that was included in the documents presented to the U.S. Supreme Court, left no doubt about his views:

If the very first principle of the American constitutional form of government is political freedom—which I take to include freedoms of speech, press, assembly, and association—then I do not see how it can be denied that these investigations are a grave danger to all that Americans have always claimed to cherish. No rights are genuine if a person, for exercising them, can be hauled up before some tribunal and forced under penalties of perjury and contempt to account for his ideas and conduct.¹²

The U.S. Supreme Court decision in *Sweezy vs. New Hampshire* is remembered historically as having delivered the death knell to the witch hunt on U.S. campuses.

The repressive climate of the McCarthy era led directly to the

emergence of Monthly Review Press—the book publishing arm of *Monthly Review*—in 1952. The idea of starting Monthly Review Press had its origin in an accidental meeting in Central Park in 1951 between noted journalist I. F. Stone and Huberman and Sweezy. Stone told them he had written a book disputing the official history of the Korean War but had not been able to find a publisher in a climate of fervent McCarthyism and war hysteria. They asked to see the manuscript and on its strength started Monthly Review Press. Stone's *Hidden History of the Korean War*, the first book published by the press, was released in May 1952.

Most of the early books published by the press, other than books by the editors themselves, were in the same mold as Stone's: books that were viable in publishing terms, by well-known or highly accomplished authors who had sought publishers elsewhere and failed because of ideological barriers within publishing. Such titles included Harvey O'Connor's *The Empire of Oil* (1955), Paul Baran's *The Political Economy of Growth* (1957), William Appelmann's *The United States, Cuba and Castro* (1963), and William Hinton's *Fanshen* (1966). Hinton's *Fanshen* was based on notes that the government had confiscated and that he had spent years in the courts fighting to get back. He finished the book in 1964 but spent three years unsuccessfully looking for a trade publisher in Boston and New York. After Monthly Review Press published it the cloth edition sold out almost immediately. Paperback rights were contracted to Vintage, and the book sold another 200,000 paperback copies.

Despite the adverse political environment, Sweezy continued to write and cowrite articles on all aspects of the critique of capitalism and Marxian theory, adding up to well over a hundred major articles and reviews in *MR* alone by the early 1990s. Visiting Cuba shortly after the 1959 revolution, Huberman and Sweezy got to know Fidel Castro and Che Guevara with whom they toured the island. Huberman and Sweezy were the first to recognize that Cuba would necessarily evolve in a socialist direction—if the revolution were to survive at all. A special issue of *Monthly Review* in which the editors wrote on the transformation of the Cuban economy, entitled *Cuba: The Anatomy of a Revolution*, appeared in July–August 1960 and quickly sold out. (It was later released in book form.) The two editors followed this first book with *Socialism in Cuba* (1969). In the midst of all of this, involving lengthy trips away from home, Sweezy and his second wife, Nancy, divorced in 1960. The following year he married Zirel Druskin Dowd.

MR Press's publication of Paul Baran's *The Political Economy of Growth* in 1957 marked the beginning of Marxian dependency theory and helped to establish *Monthly Review's* primary identity as a backer of third world revolutions. Baran had been born in 1910 into

a Jewish family in Nikolaev on the Black Sea. His father was a medical doctor with close ties to the Menshevik branch of the Russian Social Democratic Labor Party. Baran received his formal education in Germany and Russia, studying at the Plekhanov Institute of Economics at the University of Moscow and then taking a research position at the Agricultural Academy of Berlin, followed by a research assistantship at the famous Institute for Social Research in Frankfurt. He completed his Ph.D. under Emil Lederer a distinguished socialist economist who was later to found the famous "university in exile," a refuge for antifascists at New York's New School for Social Research. Baran also got to know Rudolf Hilferding, the most renowned economic theorist in the German and Austrian social democratic movements, and wrote for a time for Hilferding's journal *Die Gesellschaft*. After Hitler's rise to power Baran left Germany and eventually made his way to the United States via Russia and England. In the United States he met Paul Sweezy and was a graduate student in economics at Harvard. During the war he worked in the OSS and then in the United States' Strategic Bombing Survey under John Kenneth Galbraith. After the war he took a job at the Federal Reserve Bank and then as a professor at Stanford. In the early 1950s Baran, along with Michal Kalecki and Oskar Lange, informally advised *Monthly Review's* editors. Baran wrote for *MR* in those years under the pseudonym of Historicus.¹³

Baran's major, single-authored book, *The Political Economy of Growth*, had two parts. The first was devoted to accounting for the system of accumulation under monopoly capitalism in the rich countries in the mid-twentieth century. The second investigated the political economy of underdevelopment, accounting for the role of imperialism in the misuse and siphoning off of the economic surplus (the net proceeds of society after consumption and other essential costs are accounted for) generated by the underdeveloped countries. The problem, as Andre Gunder Frank was later famously to put it in his *Capitalism and Underdevelopment in Latin America* (Monthly Review Press, 1967), was "the development of underdevelopment." It was this second part of Baran's study, providing for the first time a rigorous Marxian analysis of conditions of third world dependency, which was to become the most acclaimed part of the book, contributing to its lasting influence.

However, even before *The Political Economy of Growth* was published, Baran and Sweezy began collaborating on a more systematic treatment of the issues raised in the first part of Baran's book. It was this new work that they referred to for years in their correspondence as their "opus." The result, after ten years, was the publication in 1966 of *Monopoly Capital: An Essay on the American Economic and Social Order*. (Baran's death of a heart attack

preceded the publication of the book by two years, but Sweezy explained in the preface that the book had been finished in all of its essentials prior to Baran's death.)

Written in an easily accessible style, *Monopoly Capital* was nonetheless a sophisticated synthesis that grew out of Sweezy's *Theory of Capitalist Development* as well as Baran's *Political Economy of Growth*, and was directly inspired by Josef Steindl's classic *Maturity and Stagnation in American Capitalism* (1952), which had been built on foundations provided by Kalecki. It also reflected the insights of Marx, Veblen, Keynes, and Schumpeter.

At the core of *Monopoly Capital* was the thesis that Marx's fundamental "law of the tendency of the rate of profit to fall," associated with accumulation in the era of free competition, had been replaced, in the more restrictive competitive environment of monopoly capitalism (in which a handful of giant firms tended to control key industries and the economy as a whole), by a law of the tendency of the surplus to rise. The nature of the price mechanism under monopoly capitalism (an argument that went back to Sweezy's earlier theory of the kinked demand curve) meant that capital tended not to adjust to shortfalls in final demand by lowering prices, but generated instead chronic excess capacity, as plants were idled to protect profit margins.

As one analyst has cogently summarized the basic contradiction spelled out by Baran and Sweezy, in the technical language of professional economics:

The potential surplus (which includes profit, interest, rent, surplus employee compensation, government spending and other wasteful expenditures) rises as productivity growth allows production costs to fall relative to prices. This potential fails to be fully realized, however, since investment spending stagnates when excess productive capacity is not eliminated by margin-squeezing price competition. Thus the existence of monopolistic conditions and so downwardly rigid mark-ups lead to inadequacy of effective demand by weakening the inducement to invest while maintaining the profit share and so restricting the growth of consumption.¹⁴

In this monopolistic pattern of accumulation, the critical problem became not so much one of surplus generation as surplus absorption. Wage earners had little or no access to surplus. The surplus was the gain to capital, derived from property income. But capital was not able to absorb the entire vast surplus at its disposal, as productivity expanded. Capitalist consumption accounted for a decreasing share of capitalist demand as income grew. Investment was hindered in absorbing the growing surplus by the fact that it took the form of new productive capacity which could not be expanded indefinitely independent of final, wage-based demand. "The tragedy of investment," as Kalecki had put it, "is that it is

useful." To be sure there was always the possibility, Baran and Sweezy argued, of a new "epoch-making innovation," such as the steam engine, the railroad, and the automobile, capable of transforming the entire economic landscape and emerging as a major source of surplus absorption. But such Schumpeterian innovations that define and accelerate the pace of economic activity, they noted, were few and far between. Finally, foreign investment, instead of being an easy outlet for domestically produced surplus, tended to generate a return flow of surplus from the third world that was greater than what the advanced capitalist world had invested there. The result was a powerful tendency toward stagnation rooted in the failure to absorb all of the economic surplus actually and potentially generated.

What was most distinctive about *Monopoly Capital*, however, was not this argument in itself, which they had presented to a considerable extent in their earlier works (and which was also present in the work of Kalecki and Steindl). Rather the uniqueness of their argument was to be found in their attempt to answer the more immediate historical question: Why if there is such a powerful tendency toward stagnation under capitalism (particularly in its monopoly stage) was the system expanding so rapidly? *Monopoly Capital* was written during the great postwar expansion of the U.S. (and the world capitalist) economy—the period that has so often in later decades been characterized (somewhat misleadingly) as the "golden age." Baran and Sweezy were intent on explaining the reasons why the postwar expansion could be seen as "exceptional," due to special factors that did not contradict their fundamental thesis that stagnation was the "normal" state of monopoly capitalism. Some part of the post-Second World War economic expansion, they argued, could be explained in terms of the favorable conditions following the war: the built-up consumer liquidity and the new role of the United States as the hegemonic force in the world economy, which served to increase demand for U.S. goods. The expansion was also helped along by the second wave of the automobilization of the economy, which had to be seen in terms of the stimulus that this offered to the glass, steel, and rubber industries, and the enormous increase in the construction of highways together with the emergence of suburbs with all their attendant effects on the retail sphere. Here a truly epoch-making innovation had played a part. But the additional stimulus from these factors soon began to wane.

The result was that the U.S. economy became dependent on various forms of economic waste in order to maintain its momentum. Here Baran and Sweezy highlighted three forms of waste: the expansion of the sales effort (encompassing the entire marketing system as well as, following Veblen, "the penetration of

the sales effort into the production process"); military spending (not only Cold War spending but the effects of two regional wars in Asia); and growth of the financial sphere. Subsequently, Sweezy criticized *Monopoly Capital* for not having placed enough emphasis on the growth of the financial sector. But the fact that a section in the book was devoted to this constituted a remarkable insight at the time.)

Once the expansion of the sales effort, military spending, and the ballooning of finance were added to the stimuli provided by consumer liquidity and a second wave of automobilization after the war, the remarkable nature of the post-Second World War boom stood out. As Baran and Sweezy wrote, "it is probably safe to say that never since the height of the railroad epoch has the American economy been subject in peacetime to such powerful stimuli. What is really remarkable is that despite the strength and persistence of these stimuli, the familiar symptoms of inadequate surplus absorption—unemployment and underutilization of capacity—began to appear at an early stage and, apart from cyclical fluctuations, have been growing more severe." Nor was there any easy answer to this for monopoly capitalist society, since the most effective means of stimulating demand—price-cutting and expansion of civilian government spending—were ruled out by the vested interests that ruled the society.

Monopoly Capital was greeted with rave reviews in places as varied as the *American Economic Review*, the *New York Review of Books*, the *Nation*, and *Science & Society*. For the New Left that emerged at this time it became one of the fundamental texts. As one activist from those days recalled, *Monopoly Capital* "was one of those books 'everyone' [in the student movement] read or discussed in a study group or recommended to radical friends."¹⁵ *Monopoly Capital* also represented the original theoretical ground of most of the younger radical economists in the United States who formed the Union for Radical Political Economics in 1968. Neither entirely Old Left nor New Left *Monthly Review* was often a meeting place of ideas, carrying forward a historical tradition of critique in a way that both old and new radical activists could understand. Nina Serrano a student activist in Madison, Wisconsin in the late 1950s and '60s later recalled that after Paul Sweezy gave a talk on the University of Wisconsin campus: "Most of us left his reception as subscribers to *Monthly Review*. For the next few years, articles from that magazine were often the center of lively discussion."¹⁶

In 1971 Sweezy delivered the Marshall Lecture at Cambridge University. Entitled "On the Theory of Monopoly Capitalism" (later reprinted in *Modern Capitalism and Other Essays*, 1972), it constituted perhaps his most explicit discussion of the deeper issues associated with economic waste and its consequences and

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the role that this played in the original *Monopoly Capital* argument. In 1974-76 he served on the executive board of the American Economic Association. His reputation in this period among the younger leftwing political economists was nothing short of formidable, an almost legendary figure. Richard Wolff, an economics professor at the University of Massachusetts at Amherst, was quoted by the *Los Angeles Times* as saying in 1977: "He is without question the leading American radical economist. No one holds a candle to him. Even the straight (orthodox) economists agree."¹⁷

Two Op-Ed page articles in the *New York Times* aimed at the burgeoning New Left economics, were written separately in 1973 by Kenneth Arrow and Paul Samuelson, both Nobel Prize winners in economics. Arrow and Samuelson directed their barbs in particular at Paul Sweezy (who later replied in an essay entitled "Capitalism for Worse" in Leonard Silk, ed., *Capitalism: The Moving Target*). Arrow especially displayed skepticism regarding Baran and Sweezy's argument that military spending was the main fiscal means of maintaining effective demand in the U.S. economy and that expansion of civilian government spending as a share of total federal spending on goods and services was largely blocked by the capitalist class. For Arrow there was no reason to believe that civilian government spending would not displace military spending as a fiscal stimulus sometime in the near future. More than three decades later, however, history seems only to have added further credence to Baran and Sweezy's argument. Heavy reliance on military spending still characterizes U.S. capitalism in the opening years of the twenty-first century, even though the Cold War is long gone. Meanwhile the powers that be are demanding deeper and deeper cuts into social welfare spending to the point that even Social Security, once considered politically sacrosanct, is now targeted for privatization.

From 1954 on, Huberman and Sweezy wrote one trenchant critique after another in *Monthly Review* on the Vietnam War. These articles were collected together in 1970 in *Vietnam: The Endless War, 1954-1970*—a book that as much as any other reflected their powerful critique of U.S. capitalism. Huberman died suddenly of a heart attack in 1968. Sweezy cowrote the last few essays of the book with Harry Magdoff, who was to join him as coeditor of *Monthly Review* after Huberman's death, and who, even more than Huberman and Sweezy themselves, devoted himself to the systematic critique of imperialism.

Magdoff was born in 1913 in the Bronx into a left-wing family and was well-versed in Marx even before he began studies at the City College of New York, where he initially focused on mathematics and physics. While at City College he joined a radical group called "The Social Problem Club" and edited the group's

monthly magazine, *Frontiers*. Later he joined the National Students League and the Youth League Against War and Fascism. He became editor of the National Student League's *Student Review* in 1932-33. After he was expelled from City College for his political activities he went to New York University's School of Commerce, where he received his B.S. in economics in 1936. Upon graduation he took a job with the National Commission on Technological Unemployment and Reemployment of the Works Progress Administration. While working for this project he developed the method for measuring productivity in individual manufacturing industries still used by the Department of Labor. Subsequently, Magdoff worked for the National Defense Advisory Board and the War Production Board. In the latter capacity he inspected and was involved in the planning and control of factories producing machinery and equipment for metalworking factories. Near the end of the war, in 1944, Magdoff was named director of the Current Business Analysis Division of the Department of Commerce and was responsible for overseeing the publication of the *Survey of Current Business*. Beginning in 1946 Magdoff served as special assistant to Henry Wallace, then the secretary of commerce. In mid-1947 he took a job with the New Council of American Business, a pro-New Deal business group. When Henry Wallace ran for president in 1948 Magdoff wrote Wallace's small business platform.

The rise of McCarthyism, however, ended Magdoff's career in Washington. He was called before various Congressional investigative committees and grand juries questioning his political background and found himself blacklisted. For most of a decade, out of economic necessity, he worked on Wall Street as a financial analyst and a stockbroker, finally taking a job selling insurance. In the late 1950s Magdoff joined Russell and Russell, a publisher of out-of-print scholarly books. He eventually bought an interest in the company. He remained at Russell and Russell until 1965, when Athenum bought the firm.

Magdoff attained a modicum of financial independence through the sale of his interest in Russell and Russell and was at last free to pursue his intellectual and political interests. In March 1965 he wrote his first article for *Monthly Review*, "The Achievement of Paul Baran," following Baran's death. After a few years occupied partly by teaching as an adjunct professor at the New School for Social Research, he joined Sweezy in 1969 at MR. During these years Magdoff wrote a series of pathbreaking articles on U.S. imperialism, which became *The Age of Imperialism* (1969), a work that complemented *Monopoly Capital*. His subsequent book, *Imperialism: From the Colonial Age to the Present* (1978), which consisted mainly of essays from *Monthly Review*, led off with a long article that he had written for the *Encyclopedia Britannica*.

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At the same time Magdoff and Sweezy began writing a continuing series in *MR* on the U.S. economy, which combined the theoretical analysis that Sweezy had helped to develop, and in which Magdoff was equally well-versed, with Magdoff's in-depth knowledge of U.S. government statistics. These articles offered an empirical basis for a critical appraisal of the U.S. economy, rarely seen in radical publications; and seldom equaled elsewhere. Already in the 1965 *Socialist Register* Magdoff had drawn attention to the crucial role of financial expansion as a countervailing factor with respect to stagnation. Now Magdoff and Sweezy systematically analyzed the relation of stagnation and finance; and a whole host of other economic problems in a running commentary that was to be gathered into five books: *The Dynamics of U.S. Capitalism* (1970), *The End of Prosperity* (1977), *The Deepening Crisis of U.S. Capitalism* (1980), *Stagnation and the Financial Explosion* (1987), and *The Irreversible Crisis* (1988).

A major development in the monopoly capital argument that was to influence Sweezy emanated from the work of Harry Braverman. Braverman became the director of Monthly Review Press in 1967 after the press grew beyond what Huberman and Sweezy could handle on their own. Born and raised in Brooklyn, Braverman had worked for many years as a coppersmith and metalworker in the shipbuilding and steel industries, where he had also been a trade unionist and socialist activist in the Trotskyist tradition. In 1953 Braverman and a group led by Bert Cochran left the Socialist Worker's Party and the two published *The American Socialist*, until it ceased publication in 1960. In 1958 *The American Socialist* and *Monthly Review* published a joint issue on U.S. labor. With the demise of *The American Socialist* Braverman had gone to work for Grove Press, where he eventually rose from editor to vice-president and general manager. He left Grove Press to take up the job as director of Monthly Review Press.

In his new capacity, Braverman sought to put the press on a more solid basis as the "university press of the left." In this period Monthly Review Press published many of its most important works, including translations from other languages: Andre Gunder Frank's *Capitalism and Underdevelopment in Latin America* (1967), Che Guevara's *Reminiscences of the Cuban Revolutionary War* (1968), Ernest Mandel's *Marxist Economic Theory* (1970), Louis Althusser's *Lenin and Philosophy* (1971), Aimé Césaire's *Discourse on Colonialism* (1972); Eduardo Galeano's *Open Veins of Latin America* (1973); Samir Amin's *Accumulation on a World Scale* (1974), Rayna Reiter, ed., *Toward an Anthropology of Women* (1975) and Charles Bettelheim's *Class Struggles in the USSR* (1976).

But the press's best seller was Braverman's *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century* (1974).

In *Monopoly Capital* Baran and Sweezy had dealt almost entirely with the absorption of the economic surplus, while neglecting that part of the Marxian critique that went directly to the root of the problem: the generation of economic surplus in the labor process itself. In *Labor and Monopoly Capital*, published two years before his death in 1976, Braverman took on the prevailing assumption that labor conditions in the capitalist world had steadily improved, with rising skill levels. Building on Marx's analysis and carefully examining the role that Frederick Winslow Taylor's scientific management had played in reshaping modern work relations, Braverman demonstrated that the labor process under capitalism continued to be dominated by the degradation of work and struggles over job control between labor and capital. Within sociology Braverman's critique was a bombshell, leading to a whole new area of studies on the labor process. In 1996 his book was designated by *Contemporary Sociology*, the American Sociological Association's book review journal, as one of the ten most influential books in U.S. sociology in the previous twenty-five years. For Sweezy, who wrote the foreword to Braverman's book, *Labor and Monopoly Capital* was a revelation, a solid confirmation of the power of Marx's critique. Sweezy went so far as to point to one place in *Monopoly Capital*, where, lacking Marx's genius and Braverman's intimate knowledge of the labor process, he and Baran had gone too far in swallowing the prevailing ideology on rising skill levels in society. Only Braverman's *Labor and Monopoly Capital*, he said, had allowed him to see his mistake.

During the course of the 1950s and '60s, Sweezy and *Monthly Review* had partly lost sight of labor struggles in the United States, but *Labor and Monopoly Capital* served to reconnect *Monthly Review* and Sweezy with these issues. Sweezy's position on the working class immediately following the publication of *Monopoly Capital* was presented in a 1967 talk called "Marx and the Proletariat," delivered at the third annual Socialist Scholars Conference in New York. Here his argument was that Marx had expected the industrial proletariat to become a revolutionary force as a result of the transformative technology of modern industry, which degraded and homogenized the work force. However, the failure of revolution to take place in the industrial capitalist countries in the nineteenth century, due more than anything else to the lack of a revolutionary situation in this period, had created conditions, partly through the actions of trade unions, that had reversed the process of homogenization (if not the actual degradation) of work, creating "a vast proliferation of job categories" and status differentials within labor's ranks, submerging class consciousness. Consequently, the proletariat in the advanced capitalist states had moved from a revolutionary to a reformist orientation.

Yet, the industrial proletariat of advanced capitalism, Sweezy went on to argue, was not the only possible revolutionary agent. The history of the twentieth century had proven that the revolutionary impetus had been transferred to the third world, the mass of the population of which had become the focal point of world capitalist exploitation in a way similar to what Marx had suggested for the industrial proletariat at the center of the capitalist system in his day. Hence, the future of the revolt against capitalism and the building of socialism were to be found primarily in the periphery of the capitalist world.

This fit with the general orientation of *Monopoly Capital*, which was dedicated to Che Guevara and which included a chapter devoted to the nature of racial exploitation in the United States. It had pointed in its conclusion to the possibility of an alliance between exploited peoples of color in the center of the system and revolutionary forces emanating from the third world. Imperialism and racism then became the weak points of capitalism and could be countered only by a revolutionary break with the system.

Sweezy was a strong supporter of Salvador Allende's democratically elected socialist government in Chile, where he was invited as a guest of honor at Allende's inauguration. But he and Magdoff strongly cautioned Allende's Popular Unity government that without military power to back them up, their state—as with any state in a surrounding capitalist environment—would be vulnerable. The subsequent CIA-directed coup in Chile suggested, in Sweezy's view, that given the realities of U.S. imperialism, revolution in the periphery could probably only occur through armed revolution. (See Sweezy and Magdoff, ed., *Revolution and Counter-Revolution in Chile*.) *Monthly Review* resolutely supported armed revolutions on all three continents of the third world. As C. Wright Mills had said of the Cuban revolution, the MR approach was to worry not “about” these revolutions, so much as to worry “with” them.

Still, although Sweezy was to continue to insist throughout all of his subsequent work that the main prospect for revolution lay in the periphery, he became more attuned to class struggle in the advanced capitalist world from the 1970s on, partly as a response to Braverman's work and a whole host of labor process studies that *Monthly Review* nurtured, and partly due to the new signs of life in the working-class movement which, for a time, accompanied the economic crisis conditions of the 1970s. By the late 1980s and early 1990s *Monthly Review* was making new efforts to connect with and address the needs of radical labor—even as radical labor activists themselves became more concerned with globalization trends and the need to create solidarity with third world workers.

All of these transformations in Sweezy's analysis were evident in his short book, *Four Lectures on Marxism* (1981), comprised of four

lectures delivered at Hosei University in Tokyo in October 1979 under the title of "Marxism Today," and two long appendixes added later. More than simply a statement of the monopoly capital theory, the book amounted to a brief sketch of his critique of the system together with his assessment of actually existing socialism. In terms of the theory of accumulation it represented a subtle shift away from the monopoly capital argument as such and toward the larger historical issue of industrial maturity, related to stagnation, that Sweezy had addressed in *The Theory of Capitalist Development* but that he now tried to explain in more historical terms.

The argument was couched in terms of the two-department model of Marx's reproduction schemes, consisting of department 1 (or investment goods industries) and department 2 (consumption goods industries). Accumulation under capitalism prospered as long as department 1 could grow more rapidly than department 2. But this created a tendency towards overaccumulation, since the growth of department 1 was ultimately dependent on department 2—one could not "build mills to build more mills forever" as J. B. Clark had contended. The maturity argument, which was derived from Hansen, but was presented by Sweezy in Marxian terms, suggested that rapid growth of department 1 was easiest at the initial stages of production, when all industry had to be built up from scratch. But once basic industry had been developed new investment was more likely to be impeded by investment that had occurred in the past resulting in the growth of ample capacity able to satisfy not only current demand but also further expansions in demand in most industries. Together with the problem of monopolistic accumulation, this generated a strong tendency toward stagnation.

This shift in emphasis in Sweezy's argument—where larger historical factors similar to those raised by Hansen gained more prominence, and the problem of monopolistic accumulation was then seen as taking place in that wider context of "maturity and stagnation"—became even more pronounced in Sweezy and Magdoff's writings in the 1980s. In the face of the growth of supply-side economics, which went against the main theoretical breakthrough of the Keynesian revolution (the critique of Say's Law that supply creates its own demand), Sweezy and Magdoff returned again and again to the stagnation debate of the 1930s and the historical problem of investment in capitalist societies. This was signaled in particular by Sweezy's lecture "Why Stagnation?" delivered to the Harvard Economics Club in March 1982, in which he rehearsed the Hansen-Schumpeter debate and its significance. In this and other articles such as "Full Recovery or Stagnation?" (from the title of Hansen's book) and "Listen, Keynesians!" Magdoff and Sweezy attempted to advance the analysis of stagnation in the 1980s, while reintroducing their readers to the economic insights of the

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past (since supply-side economics was then flying in the face of these). As always the issue came down to the thesis that stagnation was the "normal" state of monopoly capitalism—so that the problem was less one of explaining stagnation, than of accounting for periods of rapid growth. It was the 1960s, not the 1970s and '80s, Sweezy and Magdoff argued, that were the exception to the rule of slow growth and underutilization of labor and productive capacity. In 1987 Sweezy provided his most succinct summary of the history of the analysis of monopoly capitalism in an essay on that topic in *The New Palgrave Dictionary of Economics*.

In 1979 Sweezy was drawn back into the debates over Marxian value theory due to criticism generated by followers of Piero Sraffa at Cambridge University. In response to Ian Steedman's argument that Marx's labor-value theory was not wrong, but essentially "redundant" in relation to Sraffian (or neo-Ricardian) analysis, Sweezy insisted—returning to his argument in *The Theory of Capitalist Development*—that what mattered was not just the quantitative value problem, which neo-Ricardian theory could provide an answer to, but the qualitative value problem to which the quantitative analysis was inseparably related in Marx's analysis. The qualitative value problem lay at the core of Marx's key concept of the rate of surplus value and the economic sociology that it entailed. The distinctions between the British school of Marxian economics, which had been influenced by the work of Maurice Dobb and had concentrated simply on the quantitative value problem, and the American school of Marxist economics, which was based on Sweezy's *Theory of Capitalist Development* with its added emphasis on the qualitative value problem thus stood out in bold relief.¹⁸

In addition to his work on capitalist development, Sweezy contributed over the years to the analysis of the contradictory economic and social path of what he was to call "post-revolutionary societies." In *On the Transition to Socialism* (1971, with Charles Bettelheim), Sweezy boldly contended, against the theory and practice of market socialism then gaining ground in Eastern Europe, that attempts to utilize the market mechanism as the central means of building socialism were likely to lead to nothing less than the restoration of capitalism. It was the bureaucratic-Stalinist political system rather than central planning as such, Sweezy argued, that constituted the real weakness of Soviet society—although the two could not easily be separated and the failure to grant more political power to the workers would eventually generate mounting economic problems as well. In December 1970 he wrote in *MR* in his debate with Bettelheim:

What I wanted to emphasize was that when the bureaucratically administered economy runs into difficulties (as it certainly must), there are two politically opposite ways in which a solution can be

sought. One is to weaken the bureaucracy, politicize the masses, and entrust increasing initiative and responsibility to the workers themselves. This is the road forward for socialist relations of production. The other way is to retreat (as was the case with the New Economic Policy under Lenin) but as an ostensible step toward a more efficient "socialist" economy. This is in fact to elevate profit-making to the guiding role in the economic process and to tell the workers to mind their own business, which is to work hard so that they can consume more. It is to recreate the conditions in which commodity fetishism flourishes along with its associated false and alienated consciousness. It is, I submit, the road back to class domination and ultimately the restoration of capitalism.

A decade later in *Post-Revolutionary Society* (1980) he advanced the thesis that, although the original socialist character of the October Revolution was not open to question, a qualitative break had occurred during the early Stalin era, leading to the emergence of a class-exploitative system of a new kind—neither capitalism nor socialism. In the concluding paragraph of that book (which preceded by five years the rise of Gorbachev), Sweezy declared that the Soviet system had "entered a period of stagnation, different from the stagnation of the advanced capitalist world but showing no more visible signs of a way out." Later, in a new preface to the 1990 Japanese edition of *Post-Revolutionary Society*, he argued that as a result of perestroika and "the revolution of 1989" in Eastern Europe, it had become clear to the entire world that the new class system that arose in the Soviet Union and Eastern Europe in the Stalin period has come to "a dead end." "The conclusion that emerges from this analysis," Sweezy went on to observe, "is that the crisis of the Soviet Union and the collapse of its East European allies was not due to the failure of socialism. The struggle for socialism in the Soviet Union as recounted above, was lost long before with the consolidation of a class system, and it was this system which, despite its undoubted achievements, ultimately failed."

Sweezy's writings on China displayed the same critical sense. The Chinese Revolution, he believed (and as Mao had emphasized) was at all times in jeopardy because of the possibility of a new class emerging that would ultimately destroy the prospects of the revolution and lead to a restoration of capitalism. Sweezy and *MR* thus sympathized very broadly with Mao's call for a "Cultural Revolution" and the motive that had inspired it, aimed at stopping the emergence of such a new class—without supporting all of what was to develop in Mao's failed attempt to reinvigorate the revolutionary process in China.

In all of this he remained resolutely committed to a socialist future. Asked in 1999 whether the world was "closer to socialism

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now than it seemed when you started *Monthly Review*, or farther?" Sweezy answered: "Well, if socialism is ever going to happen, we're nearer to it now than we were then."

Sweezy has long been regarded as one of the leading figures of Western Marxism in the twentieth century. "The most original American contribution to Marxist theory," David McLellan wrote in his *Marxism After Marx* (1989), "has been in political economy." Here he singled out in particular the works of Baran and Sweezy and Braverman. But Sweezy's contribution to Marxism is in many ways as sociological and historical as it is economic. Indeed, it is in sociology that Sweezy is often held in the highest regard today, where he is seen as playing a fundamental role in many areas, including the important debate over ruling class or power elite that emerged in response to C. Wright Mills now-classic work, *The Power Elite* (1956). Sweezy had been the most forceful thinker in his time in putting forward the notion of the "ruling class" as the principal force in U.S. society—a ruling class that had its basis in ownership of property income, or surplus value. He had responded to a question on the nature of the ruling class from a sociology graduate student by writing a two-part article entitled "The American Ruling Class" in the May and June 1951 issues of *Monthly Review*.

When C. Wright Mills in *The Power Elite* seemed to address hierarchical power in U.S. society while abandoning the notion of a ruling class, Sweezy provided an influential reply: "Power Elite or Ruling Class?" followed more than a decade later by "Thoughts on the American System"—both of which appeared in his book *Modern Capitalism and Other Essays*. In response to Mills's objection that "ruling class" was "a badly loaded term" because it involved the proposition that an "economic class rules politically" Sweezy responded: "What of it? The question is whether the theory is applicable to the United States today, and if the investigation shows that it is, then the only 'loading' is on the side of truth. As I have argued...most of Mills' factual material supports the ruling class theory to the hilt." For Sweezy, Mills's attempt to explain things in terms of a threefold power elite consisting of the political elite, the corporate elite, and the military elite had serious shortcomings, since it could easily be shown that these were not three separate institutions each with their clearly defined sphere, but represented overlapping realms in which the corporate rich were clearly the ruling force. Not only did politicians feed at the corporate capitalist trough, but also military leaders were subordinated to the needs of the capitalist class. As Sweezy pointed out in "Thoughts on the American System," at the time of Nixon's presidency, "since the Truman administration, this post [secretary of defense] has normally been in the charge of a top executive of one of the country's biggest

corporations: General Motors, Proctor and Gamble, Morgan Guaranty Trust, and Ford."

Sweezy's lucid analysis of the U.S. state and the role of the ruling capitalist class was made evident again and again at the most concrete level in his analyses of U.S. militarism and imperialism and state efforts to organize class exploitation and cope with economic crisis. Like Marx, Veblen, and Schumpeter before him, Sweezy constantly crossed the boundaries between economics and sociology, creating a system of thought that belonged to both worlds—necessarily so since he denied the value of such artificial academic boundaries. Although originally an economist he constantly expanded the domain of his analysis. For example, in July-August 1985 *Monthly Review* ran a very influential special issue, introduced by Magdoff and Sweezy and organized with the help of Cornel West, on "Religion and the Left."

In his *Four Lectures on Marxism* Sweezy had started out discussing the question of the dialectic and the distinction between materialism and idealism in Marxist thought—entering into the epistemological (and ontological) realm. Shortly after the book was published he received a letter from his friend Professor Pesi Masani of the Department of Mathematics and Physics at the University of Pittsburgh, which, though enthusiastic about the book, chided Sweezy on his use of the term "materialism" for what would nowadays be called "realism." As Masani put it,

If I ask what my red ball point pen is, I run into several answers. It is an aggregate of chemical molecules, it is an electromagnetic field, it is a spatio-temporal region (a class of events) with a particular curvature tensor. Each answer has to be thought of as a particular coding of the pen. The pen itself is what is common to all these codings—what Russell calls relation-structure, and what nowadays is described as a group-invariant. This is [a] highly mathematical and therefore ideal concept. So if we really want to ontologize, we would all have to be called "idealist" or "realist-idealist."

Sweezy replied:

If I understand you there are no serious disagreements between us on an epistemological level. The question of what your red ball point pen is may be infinitely complicated, but what it is not is relatively simple: it *is not* an idea originating in someone's head. In fact it existed, at least *in potentia*, long before there were any heads. As I read Marx and Engels, this defines the dividing line between materialism and idealism. If you prefer the term "realism" to "materialism," I have no objection except that it may tend to obscure the interpretation of the Marxist position.¹⁹

One area that had long been of concern to Sweezy was the environment. For a thinker who deplored in a Veblenian vein the

vast amount of waste associated with monopoly capitalism this was in fact a natural development. In their popular *Introduction to Socialism* (1968) Huberman and Sweezy had emphasized the need for conservation of natural resources. *Monopoly Capital* had argued that production should be for use not for exchange (or profit) and that enormous sales efforts engendering unnecessary expenditures should be curtailed—a point that Baran and Sweezy also made in their important article “Theses on Advertising,” published in the Winter 1964 issue of *Science & Society*. In “Cars and Cities,” which appeared in *Monthly Review* in April 1972 Sweezy presented a far-ranging critique of the automobilization of U.S. society—looking at the effects with respect to urban sprawl and the generation of a “Gasopolis.” Writing in the *Quarterly Journal of Economics* in November of that year he pointed out that the alleged “benefits” of automobilization on the U.S. scale include such things as urban decay and breakdown, growing and perhaps irreversible destruction of land and pollution of air.” In 1989, with growing world concern about global warming and other global scale environmental problems, Sweezy wrote two pathbreaking essays: “Capitalism and the Environment” (cowritten with Magdoff) and “Socialism and Ecology.” Building on the work of Barry Commoner and refusing to turn away from the logic of his own analysis, Sweezy argued, in a way that was radical even by the standards of ecological economists, that “essential for success” in the environmental domain was “a reversal, not a mere slowing down of the [growth] trends of the last few centuries.” But this was something that the capitalist accumulation process itself would not allow.

Subsequently, *Monthly Review* increasingly addressed the environmental crisis. On several occasions, in the Notes from the Editors, Sweezy analyzed the annual *State of World* reports of the World Watch Institute, examining the implications for capitalism and the environment. His last book review, entitled “The Guilt of Capitalism” (*MR*, June 1997) reviewing *Who Owns the Sun?* by Daniel M. Berman and John T. O’Connor, recounted how the vested interests of the system in the United States had blocked the development of solar power. For Sweezy there was no contradiction between classical Marxism and concern for the environment—as Marx himself had demonstrated his sensitivity to the ecological contradictions of capitalism.²⁰

Sweezy’s final economic statements were among his more important, reflecting as ever his emphasis on the historical changes in the system. In June 1994 he wrote a piece called “The Triumph of Financial Capital” that described the evolution of monopoly capital into a system in which financial capital was ascendant, shifting “the locus of economic and political power.” Even those in the boardrooms of the dominant multinational corporations were now

constrained by the global network of financial markets (in which they of course were direct participants). Nation-states, even the United States itself, he argued were to a considerable extent subject to the exigencies of these markets. Economically, this situation had grown out of prolonged stagnation. In a reversal of earlier trends financial explosions now occurred during and as a result of stagnation, rather than feeding mainly on expansions of production. This carried far-reaching ramifications for the future of the capitalist economy and Sweezy posed this as the primary unsolved problem for those trying to understand much less oppose the capitalist system. In September 1997 he wrote his final article: "More (Or Less) On Globalization." In that article Sweezy entered the globalization debate. "Globalization," he argued, "is not a condition or a phenomenon: it is a process that has been going on for a long time; in fact ever since capitalism came into the world as a viable form of society four or five centuries ago." Globalization should not be viewed as "the driving force of capitalism," since that lay in the internal motor force of the system: capital accumulation itself.

Sweezy's last major article on imperialism (cowritten with Magdoff) was written as a response to the 1991 Gulf War on Iraq. Entitled "Pox Americana," it provided a brief history of U.S. interventions in the third world and ended grimly:

The United States, it seems, has locked itself into a course with the gravest implications for the whole world. Change is the only certain law of the universe. It cannot be stopped. If societies are prevented from trying to solve their problems in their own ways, they will certainly not solve them in ways dictated by others. And if they cannot move forward, they will inevitably move backward. This is what is happening in a large part of the world today, and the United States, the most powerful nation with unlimited means of coercion at its disposal, seems to be telling the others that this is a fate that must be accepted on pain of violent destruction.

Alfred North Whitehead, one of the greatest thinkers of this past century, once said: "I have never ceased to entertain the idea that the human race might rise to a certain point and then decline and never retrieve itself. Plenty of other forms of life have done that. Evolution may go down as well as up." It is an unsettling but by no means far-fetched thought that the form and active agency of this decline may be taking shape before our very eyes in these closing years of the twentieth century A.D.

This is of course not to suggest that irreversible decline is inevitable. In human affairs nothing is inevitable until it happens. But it is to suggest that the way things have been going for the last half century, and especially for the past year, holds that potential. And it is also to recognize that we, the American people, have a special responsibility to do something about it since it is our

government that is threatening to play Samson in the temple of humanity.

As with many great thinkers and writers, a large part of the power of Sweezy's thought had to do with the lucidity of his prose; his marvelous capacity for clarity in areas where so many others offer merely obscurity, jargon, fashionable claims, and a seeming inability to separate the essential from the trivial. As with Marx, Veblen, Schumpeter, and Galbraith the style with which he conveyed his ideas was often almost as important to their reception as the ideas themselves. The brilliance of his prose occasioned numerous comments and inquiries. In 1979 one admirer wrote "the thing that captivates me apart from your enrichment of Marxism is your prose style. This has so appealed to me that I have finally yielded to the temptation of not so much asking you of the secret of it; but who is your favorite prose writer. I am assuming, I hope not undialectically, that you were not born with the art, and perhaps consciously developed it from a creative imitation of a favorite prose writer." Sweezy replied on December 25, 1979:

My prose style, such as it is, was largely formed in years apart at both school and college in writing for and editing the school and college newspapers, which I did at the expense of my studies and originally with the intention of adopting a journalistic career. Eventually I shifted to economics, but with the benefit of having taught myself to write simply and clearly, at least by the standards of the economics profession. As to my favorite authors: Marx of course is by far the first, a beautiful stylist as well as an incomparable intellect. I could name many others, I suppose, though I am not sure how I would rank them, but that would not be of much use to you. So I will just mention three: Mark Twain, Ernest Hemingway, and Edgar Snow (a fine example of top-notch journalism). You mention Orwell, and while I haven't read anything by him in a long time, my recollection is of a very fine writer too. One more: Trotsky, whose *History of the Russian Revolution* (translated into English, I believe, by Max Eastman) played an important role in converting a very bourgeois American first-year graduate student into a Marxist (my admiration for Trotsky as a writer never led me to become a political Trotskyist).²¹

In his later years Sweezy taught occasionally as a visiting professor at Cornell, Stanford, the New School for Social Research, Yale, and Manchester University. In 1983 he was granted an honorary doctorate of literature from Jawaharlal Nehru University in India, and in 1999 he received the Veblen-Commons Award from the Association for Evolutionary Economics. But he remained for the most part removed from the academic world after his departure from Harvard. As an intellectual and a Marxist Sweezy rose at a young age to the pinnacle of the academic profession and then felt

compelled at a crucial point in his life—if he was to remain true to his socialist beliefs—to abandon a university career. As he always insisted, he was fortunate to have access to the surplus value that would allow him to chart an independent course. The result was the creation of a new institution of the left, *Monthly Review*, in which he was free to develop his critique of capitalism in a way that academics seldom are, and at the same time to nurture, not only those trying to navigate their way from the Old Left to the New, but also generations of younger radicals. His correspondence was voluminous, since he wrote not just in his role as an editor, but also as an educator, assisting anyone who sought to penetrate to the roots of capitalist society. His role in this respect was inseparable from the larger purposes of *Monthly Review* as an institution devoted to left education. As Russell Jacoby wrote in his best-selling book, *The Last Intellectuals* (1987):

Although often ignored, the writings by the associates of *Monthly Review* and, specifically, the books by Paul Baran, Paul Sweezy, Harry Braverman, and Harry Magdoff formed a school that in coherency, originality, and boldness no other American Marxism has come close to matching. When Marxists of other countries turn to American contributors, it is primarily to these authors....The force of these works [by Baran, Sweezy, Braverman and Magdoff] cannot be attributed simply to the lives of the authors; but neither can it be cleanly separated from them. The *Monthly Review* authors stood largely outside the universities and they wrote for the educated reader. Their books are not rehashings of Marxist dogma; nor are they monographs for colleagues. "The desire to tell the truth," wrote Baran, is "only one condition for being an intellectual. The other is courage, readiness to carry on rational inquiry to wherever it may lead...to withstand ...comfortable and lucrative conformity."

Paul Sweezy died in Larchmont, New York on February 27, 2004. Not the least of his legacies is the model of intellectual independence that he has left behind. He demonstrated what Baran called the courage as well as the commitment of an intellectual. And through the creation of *Monthly Review* he made it possible for many others to share in the same commitment and courage. He forever changed us. His life is a marker to us all.

Notes

1. "The Unorthodox Ideas of Radical Economists Win a Wider Hearing," *Wall Street Journal*, February 11, 1972; John Kenneth Galbraith, *Economics in Perspective* (Boston: Houghton Mifflin, 1987), 189.
2. Sweezy, Interview November 1986–February 1987, Columbia University Oral History Project.

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3. A. P. Lerner and Paul M. Sweezy, "British Foreign Policy," *New Statesman and Nation*, September 5, 1936; John Maynard Keynes, *Collected Writings*, vol. 28 (Cambridge: Cambridge University Press, 1982), 56-57.
4. Paul Samuelson, "Memories," *Newsweek*, June 2, 1969.
5. John Kenneth Galbraith and Shigeto Tsuru, tributes to Paul Sweezy, *Monthly Review*, April 2000.
6. Scitovsky to Sweezy, January 25, 1994.
7. Schumpeter's letter quoted in Richard Swedberg, *Joseph A. Schumpeter: His Life and Work* (Cambridge: Polity Press, 1991), 140, 272.
8. Lifschultz, "Could Karl Marx Teach Economics in America?"
9. *Business Week*, April 13, 1963.
10. Notes from the Editors, *Monthly Review*, February 1960.
11. Quoted in Larry Lifschultz, "Could Karl Marx Teach Economics in America?" *Ramparts*, April 1974.
12. U.S. Supreme Court, *U.S. Reports*, vol. 354, October Term, 1956.
13. Another key figure advising the MR editors on economics in this period was the economist Oskar Lange, whom Sweezy had known at Harvard.
14. Tracy Mott, "Monopoly Capitalism," in Philip Arestis and Malcolm Sawyer, eds., *The Elgar Companion to Radical Political Economy* (Brookfield, Vermont, 1994).
15. Joanne Barkan, "A Blast from the Past," *Dissent*, Spring 1997.
16. Nina Serrano, "A Madison Bohemian," in Paul Buhle, ed. *History and the New Left: Madison, Wisconsin, 1950-1970* (Philadelphia: Temple University Press, 1990), 75.
17. Richard Wolff quoted in "Leading Prophet of Economic Collapse Cheers Up," *Los Angeles Times*, August 21, 1977.
18. Sweezy, "Marxian Value Theory and Crisis," *Monthly Review*, July-August 1979; reprinted in Ian Steedman, et. al., *The Value Controversy* (London: Verso, 1981).
19. Pesi Masani to Sweezy, August 31, 1982; Sweezy to Pesi Masani, September 29, 1982.
20. Ecologically, Sweezy agreed with the main thrust of Nicholas Georgescu-Roegen's critique of economics and his emphasis on entropy, particularly as set out in his *Energy and Economic Myths* (1976).
21. Letter to Paul M. Sweezy, author's name obscure, no date; Sweezy's reply to unknown author December 25, 1979.

Paul M. Sweezy

MICHAEL A. LEBOWITZ

Biographical Note

Described by the *Wall Street Journal* as “the ‘dean’ of radical economics,” Paul Sweezy has more than any other single person kept Marxist economics alive in North America.¹ One work would be sufficient to have achieved this—*The Theory of Capitalist Development* (first published in 1942). During the period of the 1950s and 1960s, this was the book to which one turned to learn about Marxist economics. As Meghnad Desai testified years later (in the introduction to his own text in Marxian economics):

There was in those days one book that students could read if they wanted to acquaint themselves with Marx’s thought. *The Theory of Capitalist Development*, when all is said and done, still remains a classic introduction to Marxian economics....It was a definitive statement of a certain period about how Marx and his system were a key to the understanding of capitalism. While the book comes in for much casual criticism today, Paul Sweezy can be credited for having kept the eventual prospect of a revival of Marxian economics alive.²

Similarly, two German writers, Gerd Hardach and Dieter Karras, commented in 1974 that “as an analytical and exhaustive resume of the history of Marxist theory up to the 1930s, Sweezy’s book is still without any rivals today.” Lending support to Desai’s point, they noted that, on the eve of the rebirth of West German Marxism, the 1959 German edition of the book “made available to the German reader a theoretical tradition which had been very largely produced in German-speaking areas and then subsequently effectively suppressed by fascism and the postwar restoration.”³

Yet, *The Theory of Capitalist Development* was not only an introduction to Marxian economics and a transmission of a theoretical tradition. Sweezy also initially formulated there his

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general theory of capitalist stagnation. It is a theory which has been offered to explain not only the Depression conditions of its origin but also the postwar boom (the "Golden Age") and the subsequent crisis of the 1970s and 1980s.



Paul and Leo Huberman in Cuba

More than the author of a single text, however, Paul Sweezy has probed for answers about society and social change in many directions. His questions in relation to Maurice Dobb's *Studies in the Development of Capitalism* in 1950 triggered a major debate on the transition from feudalism to capitalism whose echoes reverberate today—just as a later exchange with Charles Bettelheim would pose critical questions about the transition to socialism. From his book on the Cuban Revolution (with associate Leo Huberman) to his emphasis on capitalism as a world system to his essays on post-revolutionary societies, Sweezy has addressed the important

questions of our time; and no one could say (as he has about neoclassical economists) that he has concerned himself with "smaller and decreasingly significant questions" with the result that there is "a truly stupefying gap between the questions posed and the techniques employed to answer them."⁴

For many, though, it is for his joint work with Paul Baran, *Monopoly Capital*, that he will be remembered. Begun in the mid-50s, a time of "full-fledged McCarthyism" when "it was practically impossible for Marxist dialogue to exist within the U.S. academy," the book became upon its publication in 1966 the introduction to radical economic analysis for an entire generation of university students and an important influence on the New Left of the period.⁵ But, Sweezy has never rested on his laurels. In *Monthly Review* (the magazine founded in 1949 by Sweezy and Huberman), he and his co-editor Harry Magdoff continue to analyze current economic developments and to explore their theoretical significance. After over a half-century of Marxist scholarship, the dean of radical economics continues to guide (and to receive graciously) younger colleagues and students.

None of this is the trajectory which could have been predicted at the time of Sweezy's birth in New York City on April 10, 1910. Sweezy's father was a banker, one of five vice presidents of the First National Bank (a predecessor of the Citibank), and Paul had the background appropriate to the scion of a wealthy family. He attended Phillips Exeter Academy and then went on to Harvard (as had his brother Alan before him). During his time there from 1928 to 1932, he edited the *Harvard Crimson* and was trained in the standard neoclassical economics.⁶

There was no sign here of his future path. And, there certainly was no indication that this banker's son would become the object of a McCarthyist witch hunt by a New Hampshire subversive activities committee. Questioned in 1953, he was found guilty of contempt of court and sentenced to jail. While out on bail, he appealed the charge which was ultimately overturned in 1957 by the U.S. Supreme Court in one of the landmark decisions on McCarthyism.⁷

The year of his graduation, 1932, was of course a time of troubles. The period to follow brought the stock market crash, bank failures, the onset of the Depression of the 1930s, the rise of Hitler and the First Soviet Five-Year Plan. And, as for so many others, these events represented a challenge to the education Sweezy had received. What, after all, did this have to do with the neoclassical economics that he had studied at Harvard?

Sweezy recalls arriving in London in 1932 for a graduate year at the London School of Economics with a feeling of "confusion edged with resentment at the irrelevance of what I had spent the last four

years trying to learn." There, however, he found graduate students actively debating the issues of the day, a "continuous state of intellectual and political ferment"; and, it was there that he first came into contact with Marxism. He returned to Harvard after that year "a convinced but very ignorant Marxist."⁸

Changes had begun at Harvard as well. Graduate students and younger faculty were beginning to take an interest in Marxism. (Among those with whom Sweezy was to have many discussions about Marxism was Shigeto Tsuru, who later contributed an appendix to *The Theory of Capitalist Development* comparing the reproduction schemes of Quesnay, Marx, and Keynes.⁹) Perhaps the most significant development for Sweezy, however, was that he met and became a student of Joseph Schumpeter who had joined the Harvard faculty in 1932. The atmosphere around Schumpeter was one certain to stimulate a young economist: he organized informal seminars and discussion groups and attracted economists from around the world. What Sweezy received there, along with others in the "Schumpeter circle," was encouragement and an atmosphere of intellectual clash and excitement. He was to describe this period subsequently as the most stimulating of his life.¹⁰

As it happens, Sweezy took only one formal course from Schumpeter, a small graduate seminar of four or five people, which included Oscar Lange and to which Wassily Leontief came. Yet, he went on to become Schumpeter's assistant in an introductory graduate course in economic theory and a very close friend.¹¹ With Schumpeter on his thesis committee, he completed his doctoral dissertation in 1937 on the coal cartel during the English industrial revolution (for which he was awarded the David A. Wells Prize for best essay in economics by the Harvard Economics Department).

During this time, Sweezy worked at becoming "a self-educated Marxist." In this, too, Schumpeter was central. For, despite his own diametrically opposite political perspective, Schumpeter was "a unique figure. He understood the importance of Marxism." A contemporary of Hilferding and Austro-Marxists like Otto Bauer, he had architected his own theory of capitalism as a deliberate alternative to Marxism. Thus, "he paid Marxism the compliment of understanding and recognizing that it was the most important intellectual trend of the time."¹²

In 1938, Sweezy became an instructor at Harvard, teaching a course on the economics of socialism (in which he had previously assisted). Attempting to increase the level of treatment of Marxism in the course, he proceeded to teach himself and to absorb the European (especially German) traditions in Marxist thought. The *Theory of Capitalist Development* was written over these years—"started more or less as an effort in self-clarification." Completed soon after the United States entered World War II, the book was

published shortly before he went into the U.S. Army in 1942.¹³

The Early Work

Yet *The Theory of Capitalist Development* was not Sweezy's first book or contribution. In a study undertaken in 1937 for the National Resources Committee (a New Deal agency), he demonstrated that, contrary to the Berle and Means classification of a substantial number of leading U.S. corporations as "management-controlled," it was possible to identify eight clearly definable "interest groups," industrial and financial alliances among the large corporations.¹⁴ To understand the control of corporations, Sweezy stressed the importance of a "knowledge of the general policies of the companies and individuals involved" (162). Citing the policies of the investment banking firm of J. P. Morgan & Co. and its alliance with the First National Bank of New York (his father's bank) in the first and most important of the interest groups, he proposed that not only stock ownership but also banking and underwriting relations were critical in tracing industrial and financial alliances (163, 168).

Within a few years, however, Sweezy proceeded to explain that the dominant role that had been played by the investment banker in the consolidation of the large firms had now declined. This was, in part, the result of the sharp decline in economic expansion during the Depression, an important explanation was "the vast internal financial resources" at the disposal of existing large corporations, which significantly reduced their necessity to resort to the capital market. Thus, the dominance of financial over industrial capital could be seen as a "temporary stage" of capitalist development.¹⁵ It was a point subsequently underlined in his criticism of Hilferding in *The Theory of Capitalist Development*, where Sweezy stressed the growing importance of internal corporate financing and his preference for Lenin's concept of "monopoly capital" over that of Hilferding's "finance capital."¹⁶

Monopoly was the theme as well in Sweezy's thesis, published in 1938 as *Monopoly and Competition in the English Coal Trade, 1550-1850*. Using the records of the coal owners, Sweezy drew upon current theoretical developments in the theory of imperfect competition and applied the microeconomist's tools (in a manner to be discovered many years later by the "New Economic History") to explain the behavior of the owners and, in particular, the reasons for the emergence of excess capacity in nineteenth century industry. A demand curve facing producers which was relatively elastic above the existing price and relatively inelastic below that price tended to generate, he argued, high profits and a relatively stable price. Under the existing cartel arrangements, his model also predicted "growing individual plants with a tendency towards more growth than is warranted by the increase in demand."¹⁷

What was particular to the early nineteenth century English coal combination, however, now had become general as the result of the growth of large-scale production which generated a tendency for "productive capacity to outrun the market." The threat of cutthroat competition (and its implications for profits) engendered combination—but the fostering of monopoly would itself "serve further to contract markets and outlets for investment."¹⁸

The "kinked demand curve" described (and presented complete with the discontinuity in the marginal revenue curve) in this study was subsequently to become well-known and influential as the result of Sweezy's article, "Demand Under Conditions of Oligopoly," published in the following year.¹⁹ Yet, the extension to current policy implications had occurred first in Sweezy's comments upon a paper by A. P. Lerner, "The Relation of Wage Policies and Price Policies," at the December 1938 meetings of the American Economics Association. There, he stressed the point subsequently made in his article that under conditions of the kinked demand curve the only effect of an increase in wages may be reduced profits (rather than a change in the short-run equilibrium of price and output).²⁰

The Theory of Capitalist Development

When Sweezy published his *Theory of Capitalist Development*, he had already established a reputation as an important young scholar as the result of his essay on the oligopolistic demand curve. With this book, however, he added significantly to his reputation. The book introduced many to a tradition of Marxist scholarship hitherto inaccessible to Anglophones. To this day, it is often remembered for opening up the discussion of the problem of the "transformation" from Marxian values to prices and for its consideration of the work of Ladislaus von Bortkiewicz on this question. Yet, on the Marxian questions of value-theory, the falling tendency of the rate of profit and crisis theory, Sweezy's contribution was easily as important.

Sweezy is credited with having introduced into the discussion of Marx's theory of value the distinction between the "quantitative-value problem" and the "qualitative-value problem." Despite the break with the English Marxist tradition of Maurice Dobb which stressed the basic continuity between the labor-cost approach of Smith, Ricardo and Marx (and, later, Sraffa), however, there has been a tendency to lump Sweezy together with Dobb as part of a single "Anglo-American" tradition which effectively treats the Marxian and Ricardian theories as identical.²¹

That is, simply, incorrect. Indeed, the failure to understand Sweezy's early attempt to distance Marx's value-theory from that of classical political economy left subsequent commentators unprepared for Sweezy's 1974 critique of Dobb's *Theories of Value and*

Distribution since Adam Smith: Ideology and Economic Theory.²² Criticizing Dobb for making "Marx seem much more like his predecessors and successors than he really was," Sweezy argued that the scope and depth of Marx's originality and his break with the classical tradition were lost in Dobb's account of the Ricardo-Marx-Sraffa tradition. In short, "to speak of a Ricardo-Marx tradition can only be misleading for both bourgeois and Marxist economists."²³

The point, though, was not at all new: Sweezy had begun his discussion of value thirty-two years earlier by stressing "the sharp break which divides his [Marx's] analysis from that of the classical school"(23). And, central was the distinction between the "qualitative-value problem" and the "quantitative-value problem." "No longer can the economist afford to confine his attention to the quantitative relations arising from commodity production; he must also direct his attention to the character of social relations which underlie the commodity form"(24).

Marx's distinction between "abstract" labor and "concrete" labor was at the core of the "qualitative-value problem." Abstract labor (or labor in general) was the labor represented in the value of the commodity; yet the critics of Marx's value-theory had said "hardly a word about abstract labor"(34). The very concept of abstract labor, however, went beyond the forms of value on the surface, individual commodity prices, to consider the relations among human beings which were necessarily hidden by the commodity form; at the center of the qualitative-value problem was the "fetish character of commodities."

It was a clear *although unacknowledged* break with the position of Dobb. In elevating the qualitative-value problem, Sweezy cited as support "the excellent note on value theory by Alfred Lowe, 'Mr. Dobb and Marx's Theory of Value'"(25n). Yet, "Alfred Lowe" was Shigeto Tsuru—to whom Sweezy acknowledged his "greatest debt" for many discussions (vi). Tsuru *had* openly criticized Dobb. He had argued that Dobb's very conception of value-theory in his *Political Economy and Capitalism* [1937] "presupposes already a method quite opposite to that of Marx."²⁴ Citing Hilferding's argument in the response to Böhm-Bawerk (which Sweezy later was to make widely available), Tsuru proposed that the essence of Marx's value-analysis was "the *qualitative* statement specifying the social relation of the capitalist mode of production"(100, 102). Why, after all, had Marx underlined "the importance of distinguishing the two-fold character of labor in the commodity production, as contrasted with Mr. Dobb's vague definition of labor as 'the expenditure of a given quantum of human energy'?"

Rejecting Dobb's argument that a theory of value must be quantitative in form and capable of expression in terms of

"quantitative entities in the real world," Tsuru argued that this was "an insuperable task. For such an attempt has to involve factors both apparent and essential embracing the economic system as a whole. Society is the only accountant of socially necessary labor time"(103). For Tsuru (whose honors thesis at Harvard College had explored Marx's methodology and commodity fetishism), Marx's "insistence on the necessity of distinguishing between value and value-form" were critical; Dobb's focus on quantitative issues and distribution, on the other hand, was little different from that of classical political economy and, indeed, in some respects approached the "pre-Marxian complacency" of Ricardo and John Stuart Mill (101, 104).

Sweezy's adoption of this distinction between qualitative and quantitative thus foreshadowed the subsequent debates over value which emerged among neo-Ricardians and Marxists in the wake of Sraffa's work. Indeed, Sweezy's discussion of the "quantitative-value problem" also diverged significantly from the classical value tradition of embodied concrete labor in his stress upon the importance of "demand." Different traditions of value-theory, then, were transmitted by Dobb and Sweezy, and this may help to explain why Sraffa's work subsequently had so much less of an impact among North American Marxists.

The significance attributed to "the falling rate of profit" (FROP) was another such distinction between Sweezy and Dobb (and the classical tradition). Identifying Dobb as an author who had "concluded that Marx meant the law of the falling tendency of the rate of profit to be the primary explanatory principle so far as crises are concerned," Sweezy rejected this conclusion on two important grounds (147-8). Firstly, emphasizing Marx's consideration of "counteracting tendencies," he questioned the theoretical foundations of the FROP tendency with respect to the assumption that the organic composition of capital *necessarily* increased more than the rate of surplus-value; the formulation, he proposed, was "not very convincing" (102-4).

As critical, however, was that Sweezy argued that Marx's view of crises and business cycles differed significantly from those of mainstream economists who assumed that "the crisis is not the result but rather the cause of a shortage of effective demand" (155). Implicit in the theory of value, he argued, was a theory of crisis which emanated from the inability of capitalists to sell commodities at their value (146). And, at the root of such crises was the contradiction between the production of use-values and the goal of producing surplus-value, the fundamental contradiction of capitalism (172).

This alternative explanation Sweezy labeled an "underconsumption" theory of capitalist crises, and he proceeded to

show its undeniable presence in Marx's texts. Yet, there was a critical gap—the theory had never been fully developed by Marx, and subsequent Marxists (like Rosa Luxemburg) who had turned their attention to the question had not succeeded in constructing a logical and detailed theory. The result was that “the outstanding present-day English Marxist economist, Maurice Dobb, assigns a role to underconsumption which is distinctly secondary to that of the falling tendency of the rate of profit” (179).

Completed, however, the underconsumption theory “would have been of primary importance in the overall picture of the capitalist economy” (178). To supplement Marx's work by carefully formulating the Marxian underconsumption theory, then, was the project Sweezy undertook.

The General Theory of Capitalist Stagnation

“The real task of an underconsumption theory,” Sweezy proposed, “is to demonstrate that capitalism has an inherent *tendency* to expand the capacity to produce consumption goods more rapidly than the demand for consumption goods.” Such a tendency may be manifested in two forms. Where an increase in capacity leads to overproduction and then curtailment of production, “the tendency in question manifests itself in a crisis.” In a second case, however, capacity is *not* expanded “because it is realized that the additional capacity would be redundant relative to the demand for the commodities it could produce. In this case, the tendency does not manifest itself in a crisis, but rather in stagnation of production” (180).

As Sweezy noted, in *either* case the existence of such a tendency significantly alters the fundamental questions economists must pose. Marx's comments in *Capital* imply, Sweezy argued, that:

stagnation of production, in the sense of less-than-capacity utilization of productive resources, is to be regarded as the normal state of affairs under capitalist conditions. If this view is adopted, the whole crisis problem appears in a new light. Emphasis shifts from the question: “What brings on crisis and depression?” to its opposite: “What brings on expansion?” (177)

Here was the core of Sweezy's argument. And, it is one to which he has returned in various forms over the years. As he commented in 1980, “If a monopoly capitalist economy tends toward stagnation—in the same sense that it always used to be assumed that a competitive capitalist economy tends toward full employment—then the problem to be explained is periods of sustained expansion and buoyancy.”²⁵ Much, indeed, of his work can be seen as a variation around this theme, which was to become a *leitmotiv*.

It is actually more accurate to describe Sweezy's argument in

The Theory of Capitalist Development as an over-accumulation theory of crisis than as one of underconsumption. In the model presented, crisis is not triggered by an increase in the rate of exploitation (rate of surplus value) or by inadequate effective demand. Rather, it is the result of excessive additions to capacity: a relative expansion of fixed capital occurs (in the appendix version of his argument) because of an increase in the propensity of capitalists to invest and a tendency to substitute machinery for direct labor.

Assuming a constant relation between additions to means of production and potential additions to output, the expansion of capacity tends to exceed that which would be warranted: the actual increase in the demand for consumption goods is insufficient to justify those previous investment decisions. In this argument (as in early writings of Kalecki), the essential recognition is that investment is not only a component of aggregate demand; it also, importantly, increases productive capacity.

The central problem in the argument, however, is that if the sector producing means of production expands sufficiently, there will be adequate income generated in that sector to warrant capacity increases in the consumption goods sector—a point not recognized explicitly in the model. Sweezy's crisis theory then amounted to the argument that this condition would not *normally* be satisfied; thus, the general tendency would be one toward underconsumption/overaccumulation.

To understand why equilibrating growth in Department I (the sector producing means of production) was seen as a *special* case, we have to go back to Sweezy's comments on the argument of Tugan-Baranowski. As Sweezy noted, Tugan demonstrated that the balance could easily be achieved if "social production were organized in accordance with a plan." In short, "if the proportional division of output is precisely that which is prescribed by the equilibrium condition for expanded reproduction, then supply and demand must be in exact balance" (166). Yet, such a condition as the *normal* case was contrary to the specific characteristic of capitalism—that it is a system in which the very purpose of production is not the harmonization of production but the expansion of capital.

This did not mean that the prescribed equilibrium condition could not be achieved; it *could*—under special circumstances. (Indeed, in Sweezy's appendix model, the general tendency would not exist at all if national income were growing at an increasing rate, which he suggested might be characteristic of a "young" capitalist country.) As Marx had done in presenting his discussion of the tendency of the rate of profit to fall, Sweezy followed his discussion of the general tendency toward underconsumption/overaccumulation with a consideration of "counteracting forces."

Precisely because there were such counteracting causes, Sweezy proposed "that for long periods the latter (tendency to underconsumption) may remain latent and inoperative" (180).

The establishment of new industries was one such important counteracting force. Reminiscent of Schumpeter's business cycle theory, insofar as the period of initial investments did not add correspondingly to the output of consumption goods, the tendency was suspended; only when this process was completed and new consumption goods could come on stream was the general relation between additions to means of production and additions to consumption demand re-established. In this case (as well as that of faulty investment and state expenditures), the counteracting tendency exists to the extent that there is an increase in aggregate demand but not a corresponding increase in capacity.

Yet, Sweezy proposed that the strength of new industries as a counteracting force was dependent upon the relative share of total investment absorbed; although new industries would always continue to appear, their relative importance would decline as a country industrialized. "One of the most powerful forces counteracting the ever-present tendency to underconsumption," thus, was disappearing (220). It was not, however, the only such sea change.

A declining rate of population growth meant the dramatic eclipse of yet another of developed capitalism's critical counteracting forces. In stressing the relation between declining population growth and stagnation (a relation epitomized as "the law of inverse relation between population growth and the tendency to underconsumption"), Sweezy was, of course, by no means alone (224). Alvin Hansen's 1938 Presidential Address to the American Economics Association, "Economic Progress and Declining Population Growth," had put this issue high on the list of explanations of the continuing sluggishness of the 1930s.²⁶

Yet, rather than emphasizing the beneficial effects upon *demand* as Hansen had, Sweezy identified rapid population growth as extremely favorable to the expansion of capitalism because it ensured available reserves of labor. With the pressure to substitute machinery for labor thereby reduced, it followed from Sweezy's specific model that the danger of underconsumption was not present. In the weakening, then, of these counteracting forces, Sweezy found an explanation for the progressive strengthening of the tendency to underconsumption. The prospect for mature and developed capitalist countries, thus, was increasingly one of chronic stagnation (226). "So far as capitalism is concerned," he commented, "we are undoubtedly justified in calling underconsumption a disease of old age" (189).

But, what about the role of monopoly? Given Sweezy's earlier

work, it appears as a strange failure that the growth of monopoly plays no role in this conclusion. After all, from the rigid prices and absence of price competition under conditions of oligopoly to the "vast internal financial resources" of the large firms to the significance (noted in his thesis) of large-scale industry and combination in fostering excess capacity and the contraction of investment outlets, there was an explanation both for a growing tendency to underconsumption/overaccumulation and for this to be increasingly manifested in stagnation rather than crisis.

The Theory of Capitalist Development was not silent on the question of monopoly. In a later section, Sweezy described the tendency for higher prices and profits in the concentrated sectors, the disinclination to expand output in these sectors (because of the potential effect upon the profit rate), an increased bias toward labor-saving innovation, and the possibility that the growth of monopoly would lead to an increased rate of surplus value thereby strengthening the tendency to underconsumption (274-7). The effect of monopoly, in this respect, was clearly to *intensify* the inherent tendency of capitalism. On the other hand, Sweezy identified the growth of selling costs as the result of the non-price competition characteristic of concentrated industries as a counteracting force (283); this was the only one of the monopoly-related characteristics considered explicitly in the explanation of the general tendency to stagnation.

Why was the discussion of monopoly at the center of Sweezy's theory of underconsumption? Because *something else* was there—Keynes and the secular stagnation argument of his foremost North American champion, Alvin Hansen (who joined the Harvard faculty in 1937). For, without question, Sweezy was profoundly influenced by Keynes and Hansen. As he noted in 1946, "the sense of liberation and the intellectual stimulation that *The General Theory* immediately produced" may only be appreciated fully by those trained as economists in the period before 1936.²⁷ Similarly, reviewing Hansen's *Full Employment or Stagnation?* in 1938, he described the latter's analysis as "brilliant and profound"; and, several years later, he hailed Hansen's contribution to a "rebirth of scientific economics."²⁸ Certainly the influence, in particular, of Hansen can be seen—not only in *The Theory of Capitalist Development* but also in a volume published in 1938 on which Sweezy collaborated, *An Economic Program for American Democracy*.²⁹

Was Sweezy at the time, then, simply a left-wing Keynesian? Although there were elements in *The Theory of Capitalist Development* clearly drawing upon Keynes and Hansen, that is not sufficient to yield the conclusion that Sweezy can be considered a Keynesian—any more than Marx can be considered a Ricardian for

similar reasons.³⁰ At issue is the framework within which those elements were incorporated. While Sweezy followed Hansen, for example, in stressing the importance of declining population growth, he offered an entirely different explanation—just as Marx had with the classical theories such as the falling rate of profit. More than anything else, Sweezy's work appears as a *critique* of the Keynesians from a Marxian perspective.

Rather than focus upon the Keynesian elements in Sweezy, the real question is how Keynes, working within the neoclassical framework, came up with an argument so easily absorbed within a Marxian framework. As Marx had argued that the political economists did not understand the underlying basis of their own laws (theories), so also did Sweezy consistently stress that the Keynesians knew *what* was occurring in the Depression but did not understand *why*. ("Hansen understands very well *what* is wrong with our present-day economy, and that is all to the good. But ask the question of this book: *why* have matters turned out as they have? You will not find much by way of answer."³¹) The inadequacy of proposed Keynesian solutions was, of course, the central problem.

The Keynesians, Sweezy indicated, did not see that the troubles were "manifestations of the real nature of the capitalist system itself."³² Thus, while Keynes "was able to demonstrate that his fellow economists, by their unthinking acceptance of Say's Law, were in effect asserting the impossibility of what was actually happening," Sweezy argued that Keynes was unable to proceed to a critique of existing society. Why? Because Keynes attributed the problems to "a failure of intelligence and not to the breakdown of a social system."³³ "In general," Sweezy commented, "one can say that to the Keynesians the crisis of capitalism appears as a crisis of intelligence."³⁴

Nevertheless, Sweezy emphasized that, when it came to a clarification of the "functioning of the capitalist mechanism," Marxists had much "to learn from the work of Keynes and his followers."³⁵ Indeed, some of Marx's work, he argued, "takes on a new meaning and fits into its proper place when read in the light of the Keynesian contributions."³⁶ And, he continues to stress today that Marxists should not be afraid to learn from Keynes since "most of the valuable Keynesian insights can be added" to the basic structure of Marxism.³⁷

Yet, it was not many years before Sweezy would identify problems in *The Theory of Capitalist Development* as related to the general Keynesian intellectual environment in which he had been working. Initially, as he indicated in a 1950 response to Evsey Domar and several Japanese critics of his book, Sweezy declared his exposition of underconsumption crises in terms of net aggregates to be "one of the weakest parts of the book" and argued that his

aggregative analysis (attributable to Keynesian influence) was not suitable for exploring the question of underconsumption.³⁸ In subsequent years, however, he became increasingly critical of Keynesian theory's failure precisely because it was "wholly on the macro level."³⁹ The missing micro-element was that of monopoly.

The General Theory in the Golden Age⁴⁰

Upon Sweezy's return to Harvard after the war, it became clear that there were no prospects of being rehired with tenure after the completion of his existing contract. Although supported by Schumpeter for a tenure-track position, "there was never any chance that they would take a Marxist." Accordingly, financially secure enough that he did not have to rely upon an academic salary, Sweezy resigned his position and proceeded to work with Leo Huberman to establish *Monthly Review*.⁴¹

In its opening issue in May 1949, Sweezy noted recent government evidence confirming "a phenomenon of great and growing importance, the extent to which the huge corporate giants now finance their expansion internally...and have consequently become independent of the capital markets generally and of banker control in particular."⁴² As well, he repeated his argument that the normal tendency of American capitalism was one of chronic depression and mass unemployment.

In the context of the postwar boom, however, Sweezy now had to explain why things looked different. It was not difficult—given the massive military expenditures for World War II and the armaments build-up of the postwar period. Depression or stagnation rather than a full employment equilibrium, he argued in a 1952 restatement of his theory, must be regarded as the normal condition of developed capitalism; yet, new industries were a central factor capable of "taking up the slack." If these new industries are "sufficiently numerous and important they may keep the system going at or near full capacity."⁴³ In the development of the military-industrial complex, Sweezy had found a new and important counteracting force making the tendency to underconsumption "latent and inoperative" in the postwar period.⁴⁴

In the course of the Golden Age, however, Sweezy's theory was to undergo a quite significant shift. For, a new element was to enter. Describing his theory in 1980, he indicated that it "draws upon or combines a line of thought which originated with Michal Kalecki and attained its most complete expression in the work of Josef Steindl, published in the early 1950s, *Maturity and Stagnation in American Capitalism*." Despite the "strange failure of Keynesian theory" to make the connection between monopoly (at the micro-level) and stagnation (at the macro-level), Kalecki had integrated the two. "And of course it was Kalecki's lead that Steindl followed up."⁴⁵

This acknowledgement of theoretical influence had appeared earlier in Paul Baran's and his book *Monopoly Capital* (which Sweezy described as a "simpler version" of the Kalecki/Steindl argument). There, Baran and Sweezy praised Kalecki and Steindl for their integration of monopoly at the micro-level into their macro-models. And, they noted, "anyone familiar with the work of Kalecki and Steindl will readily recognize that the authors of the present work owe a great deal to them."⁴⁶

Without question, the catalyst was Steindl's book, which Sweezy described in his 1971 Marshall Lecture as "one of the most important and most neglected works of political economy of the last half century."⁴⁷ That appreciation is recorded as well in his 1954 review of Steindl's book, where Sweezy proposed that, "in successfully linking up the theory of investment with the theory of imperfect competition he has, I believe, made a contribution of the first importance."

It is interesting to note what appeared central to Sweezy at the time. He summarized Steindl's theory as stressing that "the driving force behind capital accumulation is internal corporate saving." In a competitive industry, those savings were responsive to demand: with a shortage of productive capacity, the resulting high profit margins would increase internal savings and thus accumulation; similarly, excess productive capacity would generate competition which drives down profit margins and thus internal savings.

In oligopolistic industries, however, excess capacity was *not* remedied in this way because price competition was avoided, and "for this reason there is a *permanent* bias in favor of high profit margins and excess capacity." Further, excess capacity discourages additional investment whereas a variety of factors inhibit a flow of investment to competitive sectors. Thus, in Steindl's theory, there was an explanation of a long-term stagnation in capital accumulation linked to a secular decline in competition.⁴⁸

As we have seen, however, *all these elements were already present in Sweezy's own work!* On the other hand, providing an organizing principle for those elements could be seen as a central contribution. The place to examine the new combination is in *Monopoly Capital*, which Baran and Sweezy began to write in the spring of 1956 while Baran was in the process of completing his *Political Economy of Growth*.⁴⁹

As they noted in their introduction, it was a work generated by, among other things, a dissatisfaction with the adequacy of existing Marxist analyses (including their own) of monopoly capitalism. Marxist theory could explain well the Depression of the 1930s, but fell short in dealing with a postwar period in which severe depression had not reoccurred. "Nor have Marxists contributed significantly," they commented, "to our understanding of some of

the major characteristics of the 'affluent society'—particularly its colossal capacity to generate private and public waste and the profound economic, political, and cultural consequences which flow from this feature of the system."⁵⁰

At the core of the "stagnation of Marxian social science" was the failure to place monopoly at the very center of analysis. The project, an attempt to "remedy this situation in an explicit and indeed radical fashion," was organized around "one central theme: the generation and absorption of the surplus under conditions of monopoly capitalism."⁵¹

Aside from the apparent terminological shift from surplus value to the concept of the "surplus," what stands out immediately here is the concept of the *absorption* of the surplus. Both aspects had been considered explicitly by Baran in his book (which had drawn upon Kalecki and Steindl as well as upon Sweezy). Indeed, writing to Sweezy in 1956 upon reading the galley of *The Political Economy of Growth*, he had expressed the hope that the discussion of monopoly capitalism would help to push "Marxist thought on Mono. Cap. off its dead center and into a deepened consideration of what we both agree is the crux of the matter: the generation and absorption of the economic surplus."⁵²

As a concept, generation of the surplus did not present any particular difficulties at first sight. The opening discussion explored the ability of the large corporations to maintain high prices (and to avoid price competition) while at the same time cutting production costs. The lion's share of rising productivity thus captured, the projection was one of "continuously widening profit margins"; unlike Sweezy's earlier argument, at the core was a growing rate of exploitation in the sphere of production.⁵³

Implied, then, was a growth in the profit share of national product and, indeed, "a law of monopoly capitalism that the surplus tends to rise both absolutely and relatively as the system develops" (72). Yet, as Baran and Sweezy stressed in response to an argument by Nicholas Kaldor, this relative growth of the surplus would not necessarily be *apparent* in the national statistical accounts. The issue was one of "the problem of realizing surplus value," a problem more chronic than in Marx's time. For, only profits which are *realized* are recorded: "potential profits...leave their traces in the statistical record in the paradoxical form of unemployment and excess capacity" (76).

The geneology of this argument is clear. It originated with Kalecki:

Imagine, for instance, that as a result of the increase in the degree of monopoly the relative share of profits in the gross income rises. Profits will remain unchanged because they continue to be determined by investment which depends on past investment

decisions, but the real wages and salaries and the gross income or product will fall. The level of income or product will decline to the point at which the higher relative share of profits yields the same absolute level of profits.⁵⁴

Although Kalecki had considered the possibility of "retarded growth" and the potential for growth of unutilized capacity, the immediate influence on *Monopoly Capital* came from Steindl. The reason, Steindl argued, why we do not observe a decrease in the wage share of income (or an increase in the profit share of income) as the gross profit margin rises is because the rise in the profit share exists only *potentially*; that is, it exists only as a tendency. Thus, the rise of oligopoly increases the production of surplus value, but the latter:

can be realized only to the extent to which there is a corresponding amount of investment and capitalists' consumption. If this amount does not increase, then the rise in the rate of surplus value *produced* will not lead to any increase in surplus value *realized*, but only to excess capacity.

For Steindl, then, the effect of a growing rate of exploitation in the sphere of production would not be reflected in an actual increase in the surplus secured but, rather, by a reduced degree of capacity utilization "so that there is not a shift of actual income from wages to profits, but a shift of potential income of workers to wastage in excess capacity."⁵⁵ It is the same point that Baran made in the forward to the 1962 edition of *The Political Economy of Growth*. Responding to Kaldor's criticism, he argued that a rising surplus is entirely compatible with a constant (and even rising) share of wages in national income "simply because the increment of surplus assumes the form of an increment of waste" (xxi).

The same point—and yet not quite the same. For, what had occurred was a *generalization* of the category of "waste." As *Monopoly Capital* would indicate subsequently, the rising surplus can be absorbed or utilized in several ways: "(1) it can be consumed, (2) it can be invested, and (3) it can be wasted" (79). Given the normal inability (always present in Sweezy's theory) of capitalist consumption and investment to absorb the surplus that monopoly capitalism was capable of producing, "waste" (in the form of "the sales effort," government expenditures and imperialism) now edged its way onto center stage in the analysis.

Thus, what prevented the growth of excess capacity (one form of waste) which the Kalecki/Steindl theory would predict as the rate of exploitation rose was the growing reliance upon *other* forms of waste. Growing relative to capitalist consumption and investment, "they increasingly dominate the composition of social output, the rate of economic growth, and the quality of society itself" (114). These were the days, remember, not of the Depression but of

Galbraith's *Affluent Society*, Vance Packard's *The Waste Makers* and the Edsel.⁵⁶ What was to be explained, in the context of a general theory of capitalist stagnation, was the relation between the "colossal capacity to generate private and public waste" and the absence of depression. Here, the treatment of the sales effort was representative.

Although Marx had treated the expenses associated with selling commodities as a deduction from the total surplus value, Baran and Sweezy proposed that the sales effort had "come to play a role, both quantitatively and qualitatively, beyond anything Marx ever dreamed of" (114). And, essentially, that new role was that advertising and other selling expenditures had become an important "mode of utilization of the economic surplus" (125). It was a waste of resources, "but in the presence of unemployment and idle capacity, these resources would have otherwise remained unutilized: advertising calls into being a net addition to investment and income" (127).

This was a shift in position. Sweezy had earlier argued that growing sales expenses act as a counteracting force to the general tendency of capitalism toward underconsumption/overaccumulation insofar as they diverted expanding productive forces "into socially unnecessary and hence wasteful channels."⁵⁷ In *Monopoly Capital*, however, this waste of resources not only increased output but also "the sales effort absorbs, directly and indirectly, a large amount of surplus which otherwise would not have been produced" (142).

Clearly, more than the emphasis on the absorption of the surplus was new here. There also was a quite different operative concept—a surplus which would not be produced in the absence of waste such as advertising (but also government expenditures and imperialism). While that concept was consistent with the Kalecki/Steindl framework, here *Monopoly Capital* drew some of its distinctive characteristics from Baran. What had occurred was a shift from the concept of "actual surplus" to that of "potential surplus"—i.e., to the surplus which would be both produced and realized at the full-employment level. As Baran had noted, the concept differed explicitly from Marx's surplus value by including "the output lost in view of underemployment or misemployment of productive resources."⁵⁸

In the context of Baran's own work on underdeveloped countries, the emphasis on the "utilization of available unutilized or underutilized resources" and the need to mobilize the potential economic surplus for the development of productive forces echoed the concerns of classical economists (and his own early teacher, Evgenii Preobrazhensky).⁵⁹ Extension of the concept of potential surplus to monopoly capitalism, though, involved an important shift of focus. As Harry Magdoff had noted in relation to Baran's

development of the concept, the potential surplus "is an active, operative concept: it leads to an understanding of the waste, inefficiency, and unfulfilled possibilities of monopoly capitalism."⁶⁰

The system, for Baran, required waste to absorb "the overflowing economic surplus" or to provide "an adequate stimulus to additional investment by expanding aggregate demand"; and in this respect *Monopoly Capital* followed his argument.⁶¹ Not only drawing upon Kalecki and Steindl for the connection between monopoly and the tendency to stagnation, the book also extended Kalecki's treatment of a budget deficit and export surplus to the category of waste in incorporating the concept of the potential economic surplus.⁶² The latter, however, was not an unproblematic element—especially with respect to the attempt to determine the potential surplus by adding to profits (and other property income) the various components of waste.⁶³ Yet, in combination with the Kalecki/Steindl framework, it enabled *Monopoly Capital* to offer an answer to its two questions: why a severe depression had not reoccurred and why monopoly capitalism was a wasteland.

For those who had not lived through the experience of the Depression, it was the *second* question (rather than the first) which was central. In the 1930s, Sweezy had asked the timely question, why does capitalism have a tendency for chronic unemployment and stagnation? In capitalism's Golden Age, *Monopoly Capital* now asked a question equally as timely. And, its answers found a receptive audience in the generation, emerging from the desert of the Cold War, whose only experience had been that of the postwar boom.

There was another important question, though. As Baran and Sweezy noted, there is in *Monopoly Capital* "almost total neglect of a subject which occupies a central place in Marx's study of capitalism: the labor process." Questions such as the nature of work, the psychology of workers, the forms of working-class organization, etc.,—"all obviously important subjects," they acknowledged, "which would have to be dealt with in any comprehensive study of monopoly capitalism"—were missing.⁶⁴ Although Sweezy subsequently proposed that the gap was present because he and Baran lacked "the necessary qualifications"—the "crucially important direct experience" of the capitalist labor process, the basis for the silence goes somewhat deeper.⁶⁵

In ignoring the labor process, Baran and Sweezy insisted that they had not forgotten class struggle: "The revolutionary initiative against capitalism, which in Marx's day belonged to the proletariat in the advanced countries, has passed into the hands of the impoverished masses in the underdeveloped countries who are struggling to free themselves from imperialist domination and exploitation."⁶⁶ There was a reason for this. Several years earlier, Sweezy and Huberman had argued that rising wages of steel workers

came at the expense of steel consumers; and, this was not unique to the particular industry: "sharing increased monopoly profits between big corporations and strong unions has not been confined to steel but rather has been quite general in the monopolistically organized sectors of the economy."

The capitalist labor process and workers, thus, disappeared as subjects in *Monopoly Capital* because workers in monopoly capitalism were not themselves seen to be acting as subjects.⁶⁷ Organized labor had consigned itself "to playing the role of junior partner in a Big Business-dominated society."⁶⁸ In a country lacking not only a revolutionary movement but also a labor party, such a judgment was not surprising.⁶⁹ Sweezy expanded upon this point in 1967 noting that production workers had been able to capture a portion of the substantial increases in productivity but also citing Lenin's argument that imperialist "booty" permits capitalists to "bribe and win over to their side an aristocracy of labor."⁷⁰

Monopoly Capital thus answered another question: what happened to the working class? A less rather than more revolutionary proletariat in the developed countries was an inherent characteristic of the era of monopoly capital. Yet, capitalism had to be understood as a "global system embracing both the (relatively few) industrializing countries and their (relatively numerous) satellites and dependencies"; and, in that global system, the revolutionary subjects had become "the masses in these exploited dependencies."⁷¹ It had become increasingly clear in the postwar period, Sweezy concluded in 1971, that "the principal contradiction in the system, at least in the present historical period, is not *within* the developed part but *between* the developed and underdeveloped parts."⁷² That answer, too, found a receptive audience in a generation struggling against U.S. imperial involvement in Vietnam and elsewhere around the world.

The General Theory in a New Age of Crisis

In the retardation in economic growth which became apparent in the early 1970s, Sweezy has found confirmation that, sooner or later, the inherent tendency of monopoly capitalism toward stagnation exerts itself. The period of the 1970s and 1980s has thus been an opportunity to restate his theory in a context in which the effect of the tendency rather than that of the counteracting forces is manifest. Since this period has also been one marked by his collaboration with Harry Magdoff (who before the onset of McCarthyism had, among other things, served as the head of the current business analysis section of the U.S. Department of Commerce), it has meant that there has been a strong empirical element in Sweezy's work in this period.⁷³

More than a restatement of the theory, however, has occurred.

Significantly, in his explanations as to why the tendency to stagnation was latent and inoperative for so long a period, the centrality of waste as a category has faded from the analysis—as has any consideration of the concept of potential surplus. Waste, despite its thematic prominence, had never been the *sole* “counteracting force” identified in *Monopoly Capital*; new industries and wars (and their aftermath) had remained part of the analysis. Thus, a wave of “automobilization” in the context of postwar consumer liquidity, as well as the enormous increase in arms spending, were identified by Baran and Sweezy as important explanations of the postwar boom.⁷⁴ Similarly, Sweezy and Huberman emphasized in *Monthly Review* the importance of the postwar reconstruction boom of Western Europe and the stimulus of growing trade within the Common Market; within a year of the publication of *Monopoly Capital*, their list of factors explaining the boom included military spending, deficit finance, tax subsidies and the growth of consumer debt (but not “waste” as such).⁷⁵

To this list has been added the civilian spinoff from military technology and, especially, U.S. postwar economic hegemony (with its particular implications for the growth of world trade and capital). The specific combination of these factors, Sweezy argues, was sufficient to produce a unique stimulus to investment; it meant a major investment boom in key industries and rapid growth of capacity in all the leading capitalist economies (as well as some third world countries).

The war, indeed, “altered the givens of the world economic situation”; a unique set of events had provided powerful counteracting forces. Yet, “every one of the forces which powered the long postwar expansion was, and was bound to be, self-limiting.”⁷⁶ And so, with the exhaustion of the special conditions, there followed increased levels of unemployment, excess capacity (on a world scale) and lagging investment—stagnation both realized and operative.⁷⁷

The displacement of waste was not the only change to Sweezy’s general theory of stagnation in the 1970s and 1980s. *Monopoly Capital* had focused upon characteristics reflecting the unique postwar position of U.S. corporations relatively secure from capitalist competitors of other countries; and, as U.S. international economic hegemony declined, so too did monopoly slip from the center of the analysis.

In Sweezy’s *Four Lectures on Marxism* (1981), the focus was upon the inherent tendency of capitalism toward overaccumulation, that tendency for productive power to grow “more rapidly than is warranted by society’s consuming power.” In this context, the significance attributed to monopoly was that it “intensified” the contradictions of the accumulation process—both by enhancing the

ability to accumulate and by choking off outlets for investment. More stress, similarly, was placed upon the significance of "maturity" in the explanation of why counteracting forces (such as, in particular, the effect of new industries) tend to become weaker.⁷⁸ In a very real sense, Sweezy returned in this period to earlier formulations of his theory.

The Kalecki/Steindl link between monopoly at the micro-level and stagnation at the macro-level, however, has remained integral to his argument: "the more monopolistic the economy, the stronger the tendency to stagnation."⁷⁹ Stagnation, Sweezy argues, is a "consequence of the specific form of overaccumulation of capital which characterizes capitalism in its monopoly phase." Any attempt at analysis of developed capitalism, accordingly, must recognize the importance of monopolistic elements. Precisely because of its failure to incorporate this micro-element, Sweezy has argued that Keynesian theory could not explain the emergence of "stagflation" in the 1970s.⁸⁰

In the course of interpreting and analyzing current developments from the perspective of his general theory, Sweezy (in conjunction with Magdoff) has made *Monthly Review* during this period a unique medium in which to trace the changing fortunes of U.S. capitalism. Two such developments have been of particular interest. In the "embryo of an adequate theory of inflation under conditions of monopoly capitalism," Sweezy and Magdoff argued in 1974 that the power of giant corporations to control prices and wages intensified the tendency toward stagnation; at the same time, however, it meant that attempts to stimulate the economy generated inflation.⁸¹ Having ignored "the monopolistic structure of the economy," however, (bastard) Keynesian technicians accordingly were confounded in their efforts to stimulate a stagnating economy because "much of the increase in monetary demand was dissipated in inflationary price increases rather than in expanded output."⁸²

In addition to stagflation, the theoretical issue which Sweezy has explored most in recent years is the growth of financial speculation. After years of noting the growth of debt (both private and public), he has increasingly called attention to the coexistence of a stagnant production sector and a prosperous and expanding financial sector. In 1983 Sweezy and Magdoff emphasized that a growing part of money capital was not directly transformed into productive capital, but instead was used to purchase financial instruments. There was no necessity, however, that this money would find its way, directly or indirectly, into real capital formation. "It may just as well remain in the form of money capital circulating around in the financial sector, fueling the growth of financial markets which increasingly take on a life of their own."⁸³

Following two years in which financial transactions proliferated

and new financial instruments (options on futures, etc.) multiplied, Magdoff and Sweezy suggested that "the financial sphere has the potential to become an autonomous subsystem of the economy as a whole, with an enormous capacity for self-expansion." In that growing divergence between a stagnant economy and a financial explosion, however, they noted in 1985 that one definite possibility was "a bust of classic dimensions." Indeed, the most remarkable thing was that it had not yet occurred.⁸⁴

But, why has this been happening? Sweezy and Magdoff have recently argued that behind the financial explosion has been a growing concentration of wealth and income. There has been:

a swelling of the pool of fresh savings seeking profitable investment outlets. However, since the demands on this pool for investment in the production of real goods and services have been declining, more and more of it has been flowing into purely financial channels, giving rise to a vast expansion of the financial superstructure of the economy and an unparalleled explosion of speculative activity of all kinds.⁸⁵

The explanation is entirely consistent with Sweezy's general theory of stagnation. (As well, it can be related to the discussions by Kalecki and Steindl of "rentiers" and "outside" savings, respectively.⁸⁶) In this respect, it may confirm Sweezy's oft-repeated view that understanding stagnation as the "normal" state of a developed capitalist economy is a far more fruitful assumption than the full employment assumption which underlies neoclassical economics.

Whether that is sufficient for Sweezy is another matter; he has become increasingly dissatisfied with the adequacy of our understanding of the relation between the spheres of finance and production: "In economics, we need a theory which integrates finance and production, the circuits of capital of a financial and a real productive character much more effectively than our traditional theories do."⁸⁷

Paul Sweezy continues to analyze the characteristics of a mature capitalist economy—a work begun more than a half century ago. The dean of radical economics remains an eager student of history, tracing the new forms of the stagnationist tendencies of monopoly capitalism. In all this, he retains the enthusiasm of his youth. Even his earlier pessimism about workers in developed capitalist economies has been tempered with the passage of the Golden Age: if "the global system has now entered a crisis phase that gives every sign of being irreversible, it is hard to avoid the conclusion that we are entering a new chapter in the history of the metropolitan working classes."⁸⁸

No one would be happier than Paul Sweezy himself. He ended, indeed, his forward to Harry Braverman's *Labor and Monopoly*

Capital: "The sad, horrible heart-breaking way the vast majority of my fellow countrymen and women, as well as their counterparts in most of the rest of the world, are obliged to spend their working lives is seared into my consciousness in an excruciating and unforgettable manner."⁸⁹

To help put an end to such a situation remains the goal of Paul Sweezy at the age of seventy-eight. That, indeed, is the lesson that he draws from his general theory of stagnation: it "teaches us that what we need is not the reform of monopoly capitalism but its replacement by a system that organizes economic activity not for the greater glory of capital but to meet the needs of people to live decent, secure, and to the extent possible, creative lives."⁹⁰

Postscript 2004

This piece, written well over a decade ago, begins with the words: "Described by the *Wall Street Journal* as 'the "dean" of radical economics,' Paul Sweezy has more than any other single person kept Marxist economics alive in North America." I had in mind, of course, that remarkable sequence of work from the 1930s through the '80s that Paul had produced. Yet, the statement was not entirely accurate. Because it was a particular type of Marxist economics associated with Paul (and, of course, with *Monthly Review*). Paul did not spend his time (as so many academic Marxists) in elaborate calculations as to how a falling rate of profit would bring capitalism down or expounding sophisticated versions of Neo-Ricardian value theory—both of which he rejected in his early classic, *The Theory of Capitalist Development*; nor, in the same way, did he assign much importance to finding the correct solution to the "transformation problem." The *leitmotiv* that has run through Paul's work has been capital's tendency toward overaccumulation (and, on the various forms of its counter-tendencies). And, that has meant a stress on what is unique to capitalism—on the manner in which capital by its very nature drives in a direction away from the satisfaction of human needs and the development of human potential. It meant that Paul helped us keep our eyes on the prize. The greatest legacy that Paul left us therefore is his practice and vision of what Marxian political economy should be. We will never forget.

Notes

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2. Meghnad Desai, *Marxian Economics* (Oxford: Basil Blackwell, 1979), 1-2.
3. Gerd Hardach, Dieter Karras, & Ben Fine, *A Short History of Socialist Economic Thought* (London: Edward Arnold, 1978), 60.
4. Paul M. Sweezy, "Toward a Critique of Economics," *Monthly Review* (January

- 1970) reprinted in Paul M. Sweezy, *Modern Capitalism and Other Essays* (New York: Monthly Review Press, 1972), 58.
5. "Interview with Paul M. Sweezy," *Monthly Review* (April 1987): 15.
6. Michael Hillard, "Harry Magdoff and Paul Sweezy: Biographical Notes," in Stephen Resnick and Richard Wolff (eds.), *Rethinking Marxism: Essays for Harry Magdoff & Paul Sweezy* (New York: Autonomedia, 1985), 400.
7. Lifshultz, "Could Karl Marx Teach," 55; Sweezy, "Interview," 8.
8. Hillard, "Harry Magdoff and Paul Sweezy"; Paul M. Sweezy, *Four Lectures on Marxism* (New York: Monthly Review Press, 1981), 12-13.
9. Paul M. Sweezy, "Preface," *The Theory of Capitalist Development* (New York: Monthly Review Press, 1956), vi.
10. Paul M. Sweezy, "Introduction" to Joseph A. Schumpeter, *Imperialism and Social Classes* (New York: Augustus M. Kelley, 1951), xxii-xxv.
11. Sweezy, "Interview," 5.
12. Sweezy, "Interview," 5.
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15. Paul M. Sweezy, "The Decline of the Investment Banker," *Antioch Review* (spring 1941), reprinted in Sweezy, *The Present as History*, 192, 195.
16. Sweezy, *Theory of Capitalist Development*, 166-9.
17. Paul M. Sweezy, *Monopoly and Competition in the English Coal Trade, 1550-1850* (Cambridge: Harvard University Press, 1938), 119.
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28. "Hansen and the Crisis of Capitalism," reprinted in Sweezy, *Present as History*, 268-70.
29. Richard Gilbert et al, *An Economic Program for American Democracy* (New York: Vanguard, 1938). See the discussion in Robert Lekachman, *The Age of Keynes* (New York: Random House, 1966), 154-6.
30. Sweezy has himself suggested this analogy in "Keynes as a Critic of Capitalism," *Monthly Review* (April 1981): 34.
31. Sweezy, "Hansen and the Crisis of Capitalism," *Present as History*, 272.
32. Sweezy, "Hansen and the Crisis of Capitalism," *Present as History*, 273.
33. Sweezy, "John Maynard Keynes," *Present as History*, 258.
34. "Marxian and Orthodox Economics," *Science & Society* (Summer 1947), reprinted in Sweezy, *Present as History*, 313.
35. Sweezy, *Present as History*, 315.
36. "John Maynard Keynes," Sweezy, *Present as History*, 261.
37. Sweezy, "Interview," 18.
38. "A Reply to Critics," *The Economic Review* (April 1950), reprinted in Sweezy, *Present as History*, 353-4, 360.
39. Sweezy, "Crisis of American Capitalism," 3.
40. An excellent collection of essays by (among others) Sweezy, Kalecki and Steindl relevant to the discussion in this section may be found in John Bellamy Foster and Henryk Szlajfer (eds.) *The Faltering Economy* (New York: Monthly Review Press, 1984).
41. Sweezy, "Interview," 4; Hillard, "Harry Magdoff and Paul Sweezy," 402.
42. "Recent Developments in American Capitalism," *Monthly Review* (May 1949) reprinted in Sweezy, *Present as History*, 118.
43. "A Crucial Difference between Capitalism and Socialism," Sweezy, *Present as History*, 347.
44. See also "Peace and Prosperity," Sweezy, *Present as History*, 364.
45. Sweezy, "Crisis of American Capitalism," 2-3.
46. Paul A. Baran and Paul M. Sweezy, *Monopoly Capital* (New York: Monthly Review Press, 1966), 56.
47. "On the Theory of Monopoly Capitalism," in Paul M. Sweezy, *Modern Capitalism and Other Essays* (New York: Monthly Review Press, 1972), 41.
48. *Econometrica* (October 1954): 531-3.
49. Paul M. Sweezy, "Paul Alexander Baran: A Personal Memoir," Paul M. Sweezy and Leo Huberman (eds.) *Paul A. Baran (1910-1964): A Collective Portrait* (New York: Monthly Review, 1965), 29. Paul A. Baran, *The Political Economy of Growth* (New York: Monthly Review Press).
50. Baran and Sweezy, *Monopoly Capital*, 3.
51. Baran and Sweezy, *Monopoly Capital*, 3-8.
52. Sweezy, "Paul Alexander Baran," 53.
53. Baran and Sweezy, *Monopoly Capital*, 71.
54. Michal Kalecki, *Theory of Economic Dynamics* (New York: Monthly Review

- Press, 1968), 61.
55. Josef Steindl, *Maturity and Stagnation in American Capitalism* (New York: Monthly Review Press, 1976 [1952]), 245.
 56. J. K. Galbraith, *The Affluent Society* (Houghton Mifflin, 1958); Vance Packard, *The Waste Makers* (New York, 1960). The Edsel was a grotesquely styled Ford model that became an immediate laughing stock on its production.
 57. Sweezy, *Theory of Capitalist Development*, 286. See also the discussion in Steindl, *Maturity and Stagnation*, 55–66.
 58. Baran, *Political Economy of Growth*, 23n.
 59. Paul A. Baran, "The Political Economy of Backwardness," *Manchester School* (January 1952) reprinted in A. N. Agarwala and S. P. Singh, *The Economics of Underdevelopment* (London: Oxford, 1958), 81, 83; Isaac Deutscher in Sweezy and Huberman, *Paul A. Baran*, 94.
 60. Harry Magdoff, "The Achievement of Paul Baran," in Sweezy and Huberman, *Paul A. Baran*, 77.
 61. Baran, *Political Economy of Growth*, 88–92.
 62. Kalecki, *Theory of Economic Dynamics*, 51.
 63. See, for example, Michael A. Lebowitz, "Monopoly Capital," *Studies on the Left* (September–October 1966). Within this framework, selling expenses and taxes—to the extent to which they are a charge against surplus value—reduce the realizable rate of exploitation and thus the slope of the profit share line (i.e., increase output but not profits). It is logical to add these in order to reconstruct the surplus generated within production. Estimating the surplus, however, by adding undifferentiated government expenditures and advertising (according to the theory that these "absorb" a portion of the surplus) to profits means that profits made possible by the former are counted twice. See also Joseph D. Phillips, "Appendix: Estimating the Economic Surplus," *Monopoly Capital*, 369–91. For a more sympathetic view of the concept of the surplus, see the comprehensive discussion in John Bellamy Foster, *The Theory of Monopoly Capitalism*, ch. 2. See also the essays by Henryk Szlajfer in Foster and Szlajfer, *The Faltering Economy*.
 64. Baran and Sweezy, *Monopoly Capital*, 8–9.
 65. Harry Braverman, *Labor and Monopoly Capital: The Degradation of Work in the Twentieth Century* (New York: Monthly Review, 1974), x.
 66. Baran and Sweezy, *Monopoly Capital*, 9.
 67. The same silence was present in *The Theory of Capitalist Development*. Sweezy's principal concern at that time, though, was to show that mature capitalism had an inherent tendency to stagnation; its failure to provide jobs, in short, was systemic rather than accidental or the result of a failure of intelligence. Those *without* jobs, thus, were the issue.
 68. Leo Huberman and Paul M. Sweezy, "The Steel Strike in Perspective," *Monthly Review* (February 1960): 357–61.
 69. Sweezy and Magdoff subsequently suggested that the theoretical silence in *Monopoly Capital* was in part the reflection of this political silence: "Marxism leads us to expect an intimate relation between revolutionary theory and revolutionary practice: where either is missing the other will be at the very

- least severely handicapped." "Twenty-Five Eventful Years," *Monthly Review* (June 1974): 7-8.
70. Paul M. Sweezy, "Marx and the Proletariat," *Monthly Review* (December 1967) reprinted in Sweezy, *Modern Capitalism*, 163.
 71. Sweezy, *Modern Capitalism*, 163, 165.
 72. Paul M. Sweezy, "Modern Capitalism," *Monthly Review* (June 1971) reprinted in Sweezy, *Modern Capitalism*, 13.
 73. Hillard, "Harry Magdoff and Paul Sweezy," 397.
 74. Baran and Sweezy, *Monopoly Capital*, 244-5 and Chapter 8, "On the History of Monopoly Capitalism" in general.
 75. "The Common Market," *Monthly Review* (January 1962): 391; "End of the Boom?" *Monthly Review* (April 1967): 4.
 76. "Why Stagnation?" *Monthly Review* (June 1982), reprinted in Harry Magdoff and Paul Sweezy, *Stagnation and the Financial Explosion* (New York: Monthly Review, 1987), 35-6.
 77. For a discussion of world excess capacity in the steel industry as "a harbinger of events to come," see Paul M. Sweezy and Harry Magdoff, "Steel and Stagnation," *Monthly Review* (November 1977).
 78. Paul M. Sweezy, *Four Lectures on Marxism* (New York: Monthly Review, 1981) 39, 42-3.
 79. Sweezy, "Crisis of American Capitalism," 3.
 80. Paul M. Sweezy, "The Economic Crisis in the United States," *Monthly Review* (December 1981): 4, 8.
 81. "Keynesian Chickens Come Home to Roost," *Monthly Review* (April 1974) reprinted in Harry Magdoff and Paul M. Sweezy, *The End of Prosperity: The American Economy in the 1970s* (New York: Monthly Review, 1977), 21-2.
 82. Sweezy, "Crisis of American Capitalism," 6; see also "Inflation without End?" *Monthly Review* (November 1979): 9.
 83. Harry Magdoff and Paul Sweezy, "Production and Finance," *Monthly Review* (May 1983) reprinted in Magdoff and Sweezy, *Stagnation and the Financial Explosion*, 96-7.
 84. "The Financial Explosion," *Monthly Review* (December 1985) reprinted in Magdoff and Paul Sweezy, *Stagnation and the Financial Explosion*, 147, 149-150.
 85. Harry Magdoff and Paul Sweezy, "Capitalism and the Distribution of Income and Wealth," *Monthly Review* (October 1987): 13-4.
 86. See also Kalecki, *Theory of Economic Dynamics*, 159; Steindl, *Maturity and Stagnation*, 113-121.
 87. Sweezy, "Interview," 19.
 88. Sweezy, *Four Lectures on Marxism*, 86n.
 89. Braverman, *Labor and Monopoly Capital*, xii.
 90. "Introduction," Magdoff and Sweezy, *Stagnation and the Financial Explosion*, 25.

Why Stagnation?

PAUL M. SWEETZ

The question "Why Stagnation?" has a rather special significance for me. I started my graduate work in economics exactly fifty years ago this year. The cyclical downturn which began in 1929 was nearing the bottom. Unemployment in that year, according to government figures, was 23.6 percent of the labor force, and it reached its high point in 1933 at 24.9 percent. It remained in the double-digit range throughout the decade. Still, a recovery began in 1933, and it turned out to be the longest on record up to that time. Even at the top in 1937, however, the unemployment rate was still 14.3 percent, and it jumped up by the end of the year. That also happens to be the year I got my Ph.D. Can you imagine a set of circumstances better calculated to impress upon a young economist the idea that the fundamental economic problem was not cyclical ups and downs but secular stagnation?

In the wake of the sharp recession of 1937, a debate over the causes of stagnation began to spread in the economics profession. The two most prominent protagonists were Alvin Hansen and Joseph Schumpeter, Harvard's top economists of the 1930s. Hansen's position was best summed up in his 1938 book *Full Recovery or Stagnation?*, Schumpeter's in the last chapter of his two-volume 1939 treatise on *Business Cycles*.

Schumpeter labeled Hansen's theory the "theory of vanishing investment opportunities," and it is an apt characterization. According to this theory, the modern developed capitalist economy has an enormous capacity to save, both because of its corporate structure and because of the very unequal distribution of personal income. But if adequate profitable investment opportunities are lacking, this saving potential translates not into real capital formation and sustained growth but into lowered income, mass unemployment, and chronic depression, a condition summed up in the term stagnation. (The framework of this analysis was of course derived directly from Keynes's *General Theory*, which was published in 1936, and of which Hansen was the best known interpreter and champion on this side of the Atlantic.)

This is a reconstruction from notes of a talk given to the Harvard Economics Club on March 22, 1982, and is reprinted from the June 1982 issue of *Monthly Review*.

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To complete the theory, what was needed was an explanation of why there should be such a dearth of investment opportunities in the 1930s as compared to earlier times. Hansen's attempt to fill this gap ran in terms of what he considered to be certain irreversible historical changes which had begun to build up in earlier decades and finally came to dominate the scene after what Schumpeter called the "world crisis" began in 1929. To oversimplify somewhat, these changes, according to Hansen, were (1) the end of geographical expansion, sometimes put in terms of the "closing of the frontier" but interpreted by Hansen in a wider global sense; (2) a decline in the rate of population growth; and (3) a tendency on the part of new technologies to be less capital-using than in earlier stages of capitalist development. In Hansen's view, all these changes operated to restrict the demand for new capital investment and in this way transformed the system's great capacity to save into a stagnation-producing force rather than an engine of rapid growth.

Hansen's critics, including Schumpeter, could see little merit in this theory. Not that they denied the necessity for healthy capital formation to sustain growth and high employment: they just couldn't accept the argument that the changes Hansen pointed to were real, or if they were real that they would necessarily entail a weakening of the demand for new investment. The end of geographical expansion in the United States came in the late nineteenth century: Why should it begin to have such adverse economic effects three or four decades later? Population growth doesn't necessarily stimulate investment: it can just as well mean more unemployment, doubling up in housing, a lower standard of living. And the alleged nature and effect of changes in technological innovation were unproved and, according to the critics, unprovable.

Opposed to Hansen's theory, Schumpeter put forward another one which he posed in a somewhat different way. Instead of asking what caused the stagnation of the 1930s, he asked why the cyclical upswing which began in 1933 came to an end so far short of what he and others had always assumed to be the "normal" situation at the end of the prosperity phase of the cycle—full employment, rising prices, tight credit, etc. Some of you will remember that Schumpeter classified economic cycles into three types, each named after an earlier investigator of these phenomena: "Kitchins" (very short, basically inventory cycles); "Juglars" (what most writers think of as *the* business cycle); and "Kondratieffs" (a supposed cycle of some fifty years duration, the reality of which Schumpeter believed in). The experience of the 1930s he described as "the disappointing Juglar." Why?

Rejecting Hansen's theory of vanishing investment opportunities, Schumpeter blamed the anti-business climate of the period—a climate, incidentally, which he thought was an inevitable byproduct

of capitalist development. In a sense this might be called the "New Deal theory of stagnation," and in one form or another it was shared by most political conservatives. But Schumpeter, as was his wont, gave it a special twist: for him the heart of the matter was not so much the content of New Deal legislation—which he recognized as being compatible with the normal functioning of capitalism—as the personnel who administered the legislation and what he considered the anti-business spirit in which they acted. These, he believed, had a dampening, repressive effect on entrepreneurs' confidence and optimism, blighting their hopes for the future and inhibiting their investment activities in the present.

It was of course no accident that this debate over stagnation flourished in the aftermath of the sharp cyclical decline of 1937-38. Prior to that it seemed reasonable to hope that the long upswing that began in 1933 would continue to capacity production and full employment. The downturn therefore came as a rude shock. With the unemployment rate jumping up to 19 percent in 1938 and remaining over 17 percent in 1939, the grim reality of stagnation could no longer be denied. Hansen's 1938 book and Schumpeter's response of the next year were only the highlights of what gave every sign of becoming one of the classic controversies in the history of economic thought. Nor was it only economists who were involved: Franklin Delano Roosevelt, his once hopeful New Deal blighted by a new and unexpected economic calamity, appointed a high-level Temporary National Economic Committee (TNEC) to find out what went wrong and what could be done about it. But before the TNEC could even begin to report its (ultimately very meager) findings, the Second World War came along. Overnight the whole subject of stagnation dropped out of sight, never to be revived.

After the war, in 1952, one serious and important study of the subject was published in England, *Maturity and Stagnation in American Capitalism*, by Josef Steindl, an Austrian refugee who had spent the war years at the Oxford Institute of Statistics. But it was ignored by the economics profession, and the long period of postwar capitalist expansion, which was under way by the time the book appeared, seemed to have relegated the whole "problematic" of stagnation to the realm of historical curiosities.

More recent events, however, have shown that the burial of stagnation was, to say the least, premature. I hardly need to remind you that by the mid-1970s the problem was back again, this time with a new twist reflected in a new name, "stagflation." Just when it reappeared could be the subject of debate. Perhaps it was the late 1950s, with the Vietnam War acting as a temporary postponing factor. Perhaps it was the early 1970s, following the Penn-Central credit crunch and Nixon's formal abandonment of the gold standard and brief experiment with wage and price controls. Or perhaps the

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real return of stagnation should be dated from the recession of 1974-75. In any case the second half of the 1970s displayed the phenomenon in its new form of stagflation for all to see. And there can be little doubt that it has been getting worse since then, as two sets of facts eloquently testify. First, unemployment in the advanced capitalist world (24 OECD countries) is expected to reach 30 million this year, a rate of around 10 percent of the total labor force (with figures much higher of course for women, young people, and minorities). Second, in the United States there have been two recessions in successive years, with the present one quite possibly degenerating into a full-scale depression. (This is not to suggest that those who are expecting or predicting an upturn in the near future are necessarily wrong. There was a brief upturn in 1930 and of course the long recovery already alluded to from 1933 to 1937: indeed ups and downs around the trend, which itself may be up or down, are always not only possible but inevitable.)

I do not pretend to keep up with the latest economic literature as it appears, but it is my impression that the economics profession has not yet begun to resume the debate over stagnation which was so abruptly interrupted by the outbreak of the Second World War. I have the feeling that if you ask an economist how we got into the mess we are in, he or she, while not denying that it is indeed a mess, will reply by giving advice as to how to get out of it but will not have anything very enlightening to say about how we got into it. Leonard Silk, the well-informed, middle-of-the-road economics editor of the *New York Times* is a good example. In many of his columns lately he has been emphasizing the precariousness of the present economic situation, criticizing the policies of the Reagan administration and suggesting ways to do better. In one such column—in the “Business” section of the Sunday paper for March 14th—he even included a considerable amount of background material, centering on five charts dating to 1965, showing that the roots of the problem go back a long way. The headline on the piece is interesting: “What’s Happening Is Not a Depression. It’s a Chronic State of Unemployment and Industrial Slack. The Government Caused It.” At first glance this might seem to be both a description of stagnation and an explanation of it. But if you read the article, you won’t find much in the way of explanation. This is hardly surprising since there have been five different administrations since 1965 with a variety of ideologies and policies, and it would seem *a priori* rather unlikely that one would be able to distill out of the whole experience an entity deserving the name “the” government on which to place the blame. Nor does Leonard Silk really try to do so. One rather suspects that some harried editor wrote the headline without reading the article too carefully.

So we still have the question: “Why Stagnation?” It was raised

and then dropped without any satisfactory answer in the 1930s. Reality is now posing it again. I think it is time to accept the challenge and resume the search for an answer.

I think we will do well if we begin where Hansen began in the 1930s. The structure of the economy in both its corporate and its individual dimensions is basically the same as it was a half century ago. Its saving potential is still enormous, and what changes have taken place have tended to make it greater rather than smaller in the intervening period. Corporate concentration has increased, and the distribution of individual incomes remains highly unequal. Moreover, changes in the tax structure have been more and more favorable to the corporations and the rich. As always under such conditions, a strong and sustained investment performance is needed to prevent the economy from falling into stagnation. And that is precisely what has been missing for a long time now, and especially in the last few years. So the immediate cause of stagnation is the same now as it was in the 1930s—a strong propensity to save and a weak propensity to invest.

Let me digress for a moment to point out that the fact that the overall performance of the economy in recent years has not been much worse than it actually has been, or as bad as it was in the 1930s, is largely owing to three causes: (1) the much greater role of government spending and government deficits; (2) the enormous growth of consumer debt, including residential mortgage debt, especially during the 1970s; and (3) the ballooning of the financial sector of the economy which, apart from the growth of debt as such, includes an explosion of all kinds of speculation, old and new, which in turn generates more than a mere trickledown of purchasing power into the "real" economy, mostly in the form of increased demand for luxury goods. These are important forces counteracting stagnation as long as they last, but there is always the danger that if carried too far they will erupt in an old-fashioned panic of a kind we haven't seen since the 1929-33 period.

So at bottom we are back where the debate of the 1930s left off: Why is the incentive to invest so weak? Hansen's answers are, I think, a good deal less, not more, persuasive today than they were when he first advanced them. And surely no one can follow the Schumpeter line of blaming anti-business policies for discouraging capitalists from investing in the years since the Second World War, least of all with an administration in power like the one we now have in Washington. We must look elsewhere.

I suggest that the answer is to be found in analyzing the long period—twenty-five years or so—which followed the Second World War, during which we did not have a problem of stagnation. In fact during that time the incentive to invest was strong and sustained, and the growth record of the economy was perhaps the best for any

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comparable period in the history of capitalism. Why?

The reason, I think, is that the war altered the givens of the world economic situation in ways that enormously strengthened the incentive to invest. I list in very summary form the main factors: (1) the need to make good wartime damage; (2) the existence of a vast potential demand for goods and services the production of which had been eliminated or greatly reduced during the war (houses, automobiles, appliances, etc.): a huge pool of purchasing power accumulated during the war by firms and individuals which could be used to transform potential demand into effective demand; (3) the establishment of U.S. global hegemony as a result of the war: the U.S. dollar became the basis of the international monetary system, prewar trade and currency blocs were dismantled, and the conditions for relatively free capital movements were created—all of which served to fuel an enormous expansion of international trade; (4) civilian spin-offs from military technology, especially electronics and jet planes; and (5) the building up by the United States of a huge peacetime armaments industry, spurred on by major regional wars in Korea and Indochina. Very important but often overlooked is the fact that these changes were in due course reflected in a fundamental change in the business climate. The pessimism and caution left over from the 1930s were not dissipated immediately, but when it became clear that the postwar boom had much deeper roots than merely repairing the damages and losses of the war itself, the mood changed into one of long-term optimism. A great investment boom in all the essential industries of a modern capitalist society was triggered: steel, autos, energy, ship-building, heavy chemicals, and many more. Capacity was built up rapidly in all the leading capitalist countries and in a few of the more advanced countries of the third world like Mexico, Brazil, India, and South Korea.

In tracing the causes of the re-emergence of stagnation in the 1970s, the crucial point to keep in mind is that every one of the forces which powered the long postwar expansion was, and was bound to be, self-limiting. This indeed is part of the very nature of investment: it not only responds to a demand, it also satisfies the demand. Wartime damage was repaired. Demand deferred during the war was satisfied. The process of building up new industries (including a peacetime arms industry) requires a lot more investment than maintaining them. Expanding industrial capacity always ends up by creating overcapacity.

To put the point differently: a strong incentive to invest produces a burst of investment which in turn undermines the incentive to invest. This is the secret of the long postwar boom and of the return of stagnation in the 1970s. As the boom began to peter out, stagnation was fought off for some years by more and more debt

creation, both national and international, more and more frantic speculation, more and more inflation. By now these palliatives have become more harmful than helpful, and to the problem of stagnation has been added that of a rapidly deteriorating financial situation.

Does this mean that I am arguing or implying that stagnation has become a permanent state of affairs? Not at all. Some people—I think it would be fair to include Hansen in this category—thought that the stagnation of the 1930s was here to stay and that it could be overcome only by basic changes in the structure of the advanced capitalist economies. But, as experience demonstrated, they were wrong, and a similar argument today could also prove wrong. I do not myself believe that a new war could have the same consequences as it did last time (or as it did on a lesser scale, after the First World War). If a new war were big enough to have a major impact on the economy, it would probably become a nuclear war, after which there might be little left to rebuild. But no one can say for sure that there will never be other new powerful stimuli to investment, such, for example, as were provided by the industrial revolution, the railroad, and the automobile in earlier times. What one can say, I think, is that nothing like that is visible on the horizon now. For those who understand this, the lesson is clear enough: rather than wait around for a miracle (or an irretrievable disaster), it is high time to dedicate our thoughts and energies to replacing the present economic system with one which operates to satisfy human needs and not as a mere byproduct of the presence or absence of investment opportunities attractive to a relative handful of socially irresponsible capitalists.

Let me close with a few remarks about the relevance of the foregoing analysis to a subject to which economists have been devoting increasing attention in the last few years, i.e., whether or not the history of capitalism has been characterized by a long cycle of some fifty years' duration (what Schumpeter called the Kondratieff cycle). First, we should be clear that the issue here is not whether capitalist development takes place in an uneven fashion with periods of rapid expansion being succeeded by periods of slow (or even no) expansion and vice versa—what have often been referred to as long waves. The empirical existence of long waves in this sense is undeniable, and the ingenuity of statisticians operating with an almost infinite variety of possible statistical sources can be counted on to make out a case for a time sequence of accelerated and retarded growth rates compatible with the existence of an underlying cyclical mechanism.

But *compatibility* with the existence of a cyclical mechanism is entirely different from *proof* of the existence of such a mechanism. The reason for our acceptance of the idea that relatively short cycles exist (i.e., cycles of less than ten years' duration, Schumpeter's

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Kitchin and Juglar cycles) is that the mechanisms at work can be elucidated analytically as well as verified empirically. The important point is to be able to demonstrate that the two basic phases of the cycle, expansion and contraction, can each be shown to contain the seeds of its opposite. This principle lies at the core of all modern business-cycle theories. To quote what was long a standard textbook on the subject:

Business cycles consist of recurring alternations of expansion and contraction in aggregate economic activity....The economy seems to be incapable of remaining on an even keel, and periods of expanding activity always and all too soon give way to declining production and employment. Further, and this is the essence of the problem, each upswing or downswing is self-reinforcing. It feeds on itself and creates further movement in the same direction; once begun, it persists in a given direction until forces accumulate to reverse the direction. (Robert A. Gordon, *Business Fluctuations*, New York, 1952, p. 214)

The key phrase is "until forces accumulate to reverse the direction." This occurs in both the expansion and the contraction phases of the normal business cycle, but the symmetry breaks down when it comes to long waves. As we have already noted in the case of the long expansion following the Second World War, the reversal does indeed take place: it is the nature of an investment boom to exhaust itself. But it is equally clear from the experiences of the 1930s and the 1970s that the stagnation phase of a long wave does not generate any "forces of reversal." If and when such forces do emerge, they originate not in the internal logic of the economy but in the larger historical context within which the economy functions. It was the Second World War that brought the stagnation of the 1930s to an end. We still do not know what will bring the stagnation of the 1970s and 1980s to an end—or what kind of an end it will be.

We should be on the lookout for really good young people and then cherish them like the apple of Lenin's eye. They are indispensable to the revival of a real movement in this country—and I honestly believe they have a great future to look forward to. Wish to hell I were about 25 years younger.

— Paul Sweezy to Paul Baran, January 19, 1957

Monopoly Capitalism

PAUL M. SWEETZ

Among Marxian economists "monopoly capitalism" is the term widely used to denote the stage of capitalism which dates from approximately the last quarter of the nineteenth century and reaches full maturity in the period after the Second World War. Marx's *Capital*, like classical political economy from Adam Smith to John Stuart Mill, was based on the assumption that all commodities are produced by industries consisting of many firms, or capitals in Marx's terminology, each accounting for a negligible fraction of total output and all responding to the price and profit signals generated by impersonal market forces. Unlike the classical economists, however, Marx recognized that such an economy was inherently unstable and impermanent. The way to succeed in a competitive market is to cut costs and expand production, a process which requires incessant accumulation of capital in ever new technological and organizational forms. In Marx's words: "The battle of competition is fought by cheapening of commodities. The cheapness of commodities depends, *ceteris paribus*, on the productiveness of labor, and this again on the scale of production. Therefore the larger capitals beat the smaller." Further, the credit system which "begins as a modest helper of accumulation" soon "becomes a new and formidable weapon in the competition in the competitive struggle, and finally it transforms itself into an immense social mechanism for the centralization of capitals" (Marx, 1894, ch. 27).

There is thus no doubt that Marx and Engels believed capitalism had reached a turning point. In this view, however, the end of the competitive era marked not the beginning of a new stage of capitalism but rather the beginning of a transition to the new mode of production that would take the place of capitalism. It was only somewhat later, when it became clear that capitalism was far from on its last legs that Marx's followers, recognizing that a new stage had actually arrived, undertook to analyze its main features and what might be implied for capitalism's "laws of motion."

The pioneer in this endeavor was the Austrian Marxist Rudolf Hilferding whose magnum opus *Das Finanzkapital* appeared in 1910. A forerunner was the American economist Thorstein Veblen, whose book

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MONOPOLY CAPITALISM

The Theory of Business Enterprise (1904) dealt with many of the same problems as Hilferding's: corporation finance, the role of banks in the concentration of capital, etc. Veblen's work, however, was apparently unknown to Hilferding, and neither author had a significant impact on mainstream economic thought in the English-speaking world, where the emergence of corporations and related new forms of business activity and organization, though the subject of a vast descriptive literature, was almost entirely ignored in the dominant neoclassical orthodoxy.

In Marxist circles, however, Hilferding's work was hailed as a breakthrough, and its pre-eminent place in the Marxist tradition was assured when Lenin strongly endorsed it at the beginning of his *Imperialism, The Highest Stage of Capitalism*. "In 1910," Lenin wrote, "there appeared in Vienna the work of the Austrian Marxist, Rudolf Hilferding, *Finance Capital*.... This work gives a very valuable theoretical analysis of 'the latest phase of capitalist development,' the subtitle of the book."

As far as economic theory in the narrow sense is concerned, Lenin added little to *Finance Capital*, and in retrospect it is evident that Hilferding himself was not successful in integrating the new phenomena of capitalist development into the core of Marx's theoretical structure (value, surplus value and above all the process of capital accumulation). In chapter 15 of his book ("Price Determination in the Capitalist Monopoly, Historical Tendency of Finance Capital") Hilferding, in seeking to deal with some of these problems, came up with a very striking conclusion which has been associated with his name ever since. Prices under conditions of monopoly, he thought, are indeterminate and hence unstable. Whenever concentration enables capitalists to achieve higher than average profits, suppliers and customers are put under pressure to create counter combinations which will enable them to appropriate part of the extra profits for themselves. Thus monopoly spreads in all directions from every point of origin. The question then arises as to the limits of "cartellization" (the term is used synonymously with monopolization). Hilferding answers:

The answer to this question must be that there is no absolute limit to cartellization. What exists rather is a tendency to the continuous spread of cartellization. Independent industries, as we have seen, fall more and more under the sway of the cartellized ones, ending up finally by being annexed by the cartellized ones. The result of this process is then a general cartel. The entire capitalist production is consciously controlled from one center which determines the amount of production in all its spheres.... It is the consciously controlled society in antagonistic form.

There is more about this vision of a future totally monopolized society, but it need not detain us. Three quarters of a century of monopoly capitalist history has shown that while the tendency to concentration is strong and persistent, it is by no means as ubiquitous and overwhelming

as Hilferding imagined. There are powerful counter-tendencies—the breakup of existing firms and the founding of new ones—which have been strong enough to prevent the formation of anything even remotely approaching Hilferding's general cartel.

The first signs of important new departures in Marxist economic thinking began to appear toward the end of the interwar years, i.e., the 1920s and 1930s; but on the whole this was a period in which Lenin's *Imperialism* was accepted as the last word on monopoly capitalism, and the rigid orthodoxy of Stalinism discouraged attempts to explore changing developments in the structure and functioning of contemporary capitalist economies. Meanwhile, academic economists in the West finally got around to analyzing monopolistic and imperfectly competitive markets (especially Edward Chamberlin and Joan Robinson), but for a long time these efforts were confined to the level of individual firms and industries. The so-called Keynesian revolution which transformed macroeconomic theory in the 1930s was largely untouched by these advances in the theory of markets, continuing to rely on the time-honored assumption of atomistic competition.

The 1940s and 1950s witnessed the emergence of new trends of thought within the general framework of Marxian economics. These had their roots on the one hand in Marx's theory of concentration and centralization which, as we have seen, was further developed by Hilferding and Lenin; and on the other hand in Marx's famous Reproduction Schemes presented and analyzed in volume 2 of *Capital*, which were the focal point of a prolonged debate on the nature of capitalist crisis involving many of the leading Marxist theorists of the period between Engels's death (1895) and the First World War. Credit for the first attempt to knot these two strands of thought into an elaborated version of Marxian accumulation theory goes to Michal Kalecki, whose published works in Polish in the early 1930s articulated, according to Joan Robinson and others, the main tenets of the contemporaneous Keynesian revolution in the West. Kalecki had been introduced to economics through the works of Marx and the great Polish Marxist Rosa Luxemburg, and he was consequently free of the inhibitions and preconceptions that went with a training in neoclassical economics. He moved to England in the mid-1930s, entering into the intense discussions and debates of the period and making his own distinctive contributions along the lines of his previous work and that of Keynes and his followers at Cambridge, Oxford and the London School of Economics. In April 1938 Kalecki published an article in *Econometrica* ("The Distribution of the National Income") which highlighted differences between his approach and that of Keynes, especially with respect to two crucially important and closely related subjects, namely, the class distribution of income and the role of monopoly. With respect to monopoly, Kalecki stated at the end of the article a position which had deep roots in his thinking and would henceforth be central to his theoretical work:

The results arrived at in this essay have a more general aspect. A world in which the degree of monopoly determines the distribution of the national income is a world far removed from the pattern of free competition. Monopoly appears to be deeply rooted in the nature of the capitalist system: free competition, as an assumption, may be useful in the first stage of certain investigations, but as a description of the normal stage of capitalist economy it is merely a myth.

A further step in the direction of integrating the two strands of Marx's thought—concentration and centralization on the one hand and crisis theory on the other—was marked by the publication in 1942 of *The Theory of Capitalist Development* by Paul M. Sweezy, which contained a fairly comprehensive review of the prewar history of Marxist economics and at the same time made explanatory use of concepts introduced into mainstream monopoly and oligopoly theory during the preceding decade. This book, soon translated into several foreign languages, had a significant effect in systematizing the study and interpretation of Marxian economic theory.

It should not be supposed, however, that these new departures were altogether a matter of theoretical speculation. Of equal if not greater importance were the changes in the structure and functioning of capitalism which had emerged during the 1920s and 1930s. On the one hand the decline in competition which began in the late nineteenth century proceeded at an accelerated pace—as chronicled in the classic study by Arthur R. Burns, *The Decline of Competition: A Study of the Evolution of American Industry* (1936)—and on the other hand the unprecedented severity of the depression of the 1930s provided dramatic proof of the inadequacy of conventional business cycle theories. The Keynesian revolution was a partial answer to this challenge, but the renewed upsurge of the advanced capitalist economies during and after the war cut short further development of critical analysis among mainstream economists, and it was left to Marxists to carry on along the lines that had been pioneered by Kalecki before the war.

Kalecki spent the war years at the Oxford Institute of Statistics whose director, A. L. Bowley, had brought together a distinguished group of scholars, most of them émigrés from occupied Europe. Among the latter was Josef Steindl, a young Austrian economist who came under the influence of Kalecki and followed in his footsteps. Later on, Steindl (1985) recounted the following:

On one occasion I talked with Kalecki about the crisis of capitalism. We both, as well as most socialists, took it for granted that capitalism was threatened by a crisis of existence, and we regarded the stagnation of the 1930s as a symptom of such a major crisis. But Kalecki found the reasons, given by Marx, why such a crisis should develop, unconvincing; at the same time he did not have an explanation of his own. I still do not know, he said, why

there should be a crisis of capitalism, and he added: 'Could it have anything to do with monopoly? He subsequently suggested to me and to the Institute, before he left England, that I should work on this problem. It was a very Marxian problem, but my methods of dealing with it were Kaleckian.

Steindl's work on this subject was completed in 1949 and published in 1952 under the title *Maturity and Stagnation in American Capitalism*. While little noticed by the economics profession at the time of its publication, this book nevertheless provided a crucial link between the experiences, empirical as well as theoretical, of the 1930s, and the development of a relatively rounded theory of monopoly capitalism in the 1950s and 1960s, a process which received renewed impetus from the return of stagnation to American (and global) capitalism during the 1970s and 1980s.

The next major work in the direct line from Marx through Kalecki and Steindl was Paul Baran's book, *The Political Economy of Growth* (1957), which presented a theory of the dynamics of monopoly capitalism and opened up a new perspective on the nature of the interaction between developed and underdeveloped capitalist societies. This was followed by the joint work of Baran and Sweezy, *Monopoly Capital: An Essay on the American Economic and Social Order* (1966), incorporating ideas from both of their earlier works and attempting to elucidate, in the words of their introduction, the "mechanism linking the foundation of society (under monopoly capitalism) with what Marxists call its political, cultural, and ideological superstructure." Their effort however, still fell short of a comprehensive theory of monopoly capitalism since it neglected "a subject which occupies a central place in Marx's study of capitalism," that is, a systematic inquiry into "the consequences which the particular kinds of technological change characteristic of the monopoly capitalist period have had for the nature of work, the composition (and differentiation) of the working class, the psychology of workers, the forms of working-class organization and struggle, and so on." A pioneering effort to fill this gap in the theory of monopoly capitalism was taken by Harry Braverman a few years later (Braverman, 1974) which in turn did much to stimulate renewed research into changing trends in work processes and labor relations in the late twentieth century.

Marx wrote in the preface to the first edition of volume I of *Capital* that "it is the ultimate aim of this work to lay bare the economic law of motion of modern society." What emerged, running like a red thread through the whole work, could perhaps better be called a theory of the accumulation of capital. In what respect, if at all, can it be said that latter-day theories of monopoly capitalism modify or add to Marx's analysis of the accumulation process?

As far as form is concerned, the theory remains basically unchanged, and modifications in content are in the direction of putting even greater emphasis on certain tendencies already demonstrated by Marx to be

inherent in the accumulation process. This is true of concentration and centralization, and even more spectacularly so of the role of what Marx called the credit system, now grown to monstrous proportions compared to the small beginnings of his day. In addition, and perhaps most important, the new theories seek to demonstrate that monopoly capitalism is more prone than its competitive predecessor to generating unsustainable rates of accumulation, leading to crises, depressions and prolonged periods of stagnation.

The reasoning here follows a line of thought which recurs in Marx's writings, especially in the unfinished later volumes of *Capital* (including *Theories of Surplus Value*); individual capitalists always strive to increase their accumulation to the maximum extent possible and without regard for the ultimate overall effect on the demand for the increasing output of the economy's expanding capacity to produce. Marx summed this up in the well-known formula that "the real barrier to capitalist production is capital itself." The upshot of the new theories is that the widespread introduction of monopoly raises this barrier still higher. It does this in three ways.

(1) Monopolistic organization gives capital an advantage in its struggle with labor, hence tends to raise the rate of surplus value and to make possible a higher rate of accumulation.

(2) With monopoly (or oligopoly) prices replacing competitive prices, a uniform rate of profit gives way to a hierarchy of profit rates—highest in the most concentrated industries, lowest in the most competitive. This means that the distribution of surplus value is skewed in favor of the larger units of capital which characteristically accumulate a greater proportion of their profits than smaller units of capital, once again making possible a higher rate of accumulation.

(3) On the demand side of the accumulation equation, monopolistic industries adopt a policy of slowing down and carefully regulating the expansion of productive capacity in order to maintain their higher rates of profit.

Translated into the language of Keynesian macro theory, these consequences of monopoly mean that the savings potential of the system is increased, while the opportunities for profitable investment are reduced. Other things being equal, therefore the level of income and employment under monopoly capitalism is lower than it would be in a more competitive environment.

To convert this insight into a dynamic theory, it is necessary to see monopolization (the concentration and centralization of capital) as an ongoing historical process. At the beginning of the transition from the competitive to the monopolistic stage, the accumulation process is only minimally affected. But with the passage of time the impact grows and tends sooner or later to become a crucial factor in the functioning of the system. This, according to monopoly capitalist theory, accounts for the prolonged stagnation of the 1930s as well as for the return of stagnation in

the 1970s and 1980s following the exhaustion of the long boom caused by the Second World War and its multifaceted aftermath effects.

Neither mainstream economics nor traditional Marxian theory have been able to offer a satisfactory explanation of the stagnation phenomenon which has loomed increasingly large in the history of the capitalist world during the twentieth century. It is thus the distinctive contribution of monopoly capitalist theory to have tackled this problem head on and in the process to have generated a rich body of literature which draws on and adds to the work of the great economic thinkers of the last 150 years. A representative sampling of this literature, together with editorial introductions and interpretations, is contained in Foster and Szlajfer (1984).

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Capitalism and the Environment

PAUL M. SWEEZY

It is obvious that humankind has arrived at a crucial turning point in its long history. Nuclear war could terminate the whole human enterprise. But even if this catastrophic ending can be avoided, it is by no means certain that the essential conditions for the survival and development of civilized society as we know it today will continue to exist.

We live in and from a material environment consisting of land, water, and air which, historically, has always been considered to be and treated as infinitely durable and usable. This does not mean indestructible. History records many instances of the destruction (i.e., rendering unusable for human purposes) of parts of the environment by either natural processes or human agency.* As far as the natural processes are concerned, they have been operating since long before there was human life and will presumably continue to operate long after, and there is no reason to assume any unusual change in the foreseeable future.

When it comes to destruction by human agency, however, things are different. Small-scale destruction of parts of the environment have occurred throughout history, and on occasion the scale has grown to quite impressive proportions (e.g., through desertification). But even the largest of these destructive processes have remained small compared to the size of the environment as a whole. Tribes or even more complex societies have been wiped out or forced to move to new locations, but these were always local, not global, disasters. And throughout the ages—in fact, right up to the time of people now alive—it was always taken for granted that this would continue to be the case. The reason was a belief, perhaps

This is a slightly modified version of a paper prepared for the roundtable “Socialism in the World” held at Cavtat, Yugoslavia, in October 1988. It first appeared in the June 1989 issue of *Monthly Review*.

* The distinction should not be drawn too sharply: Many environmental changes are the combined result of both natural processes and human agency. But there are some like the great geological transformations in which human agency plays no part, and others like the effects of deforestation caused by overcutting for which human agency can be considered solely responsible.

rarely thought through or articulated, that the means possessed by human beings were too puny to be a threat to the sheer magnitude and recuperative powers inherent in the environment.

All this began to change with the explosion of the first A-bomb in August 1944. At first the new bomb was perceived as essentially an improvement on already existing weapons, but an interrelated chain of events gradually led to a radical alteration of people's consciousness. The Soviets got the bomb much sooner than had been expected, thus shattering the notion that the new force could somehow be monopolized and controlled. Then came the H-bomb with its vastly greater destructive potential; and this in turn was followed by the escalating arms race between the superpowers which, despite much talk and a few largely symbolic treaties, continues to this day. It is now commonplace that each superpower has the capability to wipe out its rival several times over, and ongoing research into the consequences of all-out nuclear war has demonstrated beyond a reasonable doubt that the catastrophe could not be confined to the belligerents but would inexorably spread, in such ghastly forms as radioactive poisoning and nuclear winter, to the entire globe. Thus in the incredibly short time of less than half a century, humankind has gone from blissful confidence in the security of its habitat to the certainty that its own survival, as well as the capacity of its natural environment to sustain life as we have known it, could be cut short in an instantaneous paroxysm of nuclear violence.

The full implications of this unprecedented change in human consciousness will obviously not become clear for a long time to come. But it is already evident that sensitivity to threats to the human habitat has spread rapidly from its origins in the overwhelming destructive power of nuclear weapons to encompass a variety of ecological processes and trends, most of which have been known and even studied for a century or more, but which have been increasingly seen in a new light since the beginning of the nuclear age.* Once you know for certain that human agency can render the planet unfit for human habitation, you can hardly help asking whether nuclear weapons are the only possible source of such a

* The connection between environmental concerns and the opening of the nuclear age was well expressed by Barry Commoner, one of the pioneers of a genuinely scientific approach to ecological problems, when he wrote in his pathbreaking work, *The Closing Circle* (1971): "I learned about the environment from the United States Atomic Energy Commission in 1953. Until then, like most people, I had taken the air, water, soil, and our natural surroundings more or less for granted....In 1946 the Atomic Energy Commission (AEC) was created to take charge of a massive U.S. program to develop the military, scientific, and industrial potential of atomic and nuclear energy. By 1951 the United States had exploded sixteen test bombs and the Soviet Union thirteen, and the following year Great Britain joined in with its first test." (pp. 49-50)

catastrophe. Viewed from this angle, much that used to be regarded as merely the unavoidable negative side of progress is now seen to be part of a looming threat to the continuation of life on earth. It is hard to imagine a more fundamental change in perception and truly astonishing to reflect on how rapidly it has come about.

Within the framework of this perception, there are of course different positions. At one extreme are those who believe the danger is much exaggerated—perhaps a reflection of the pessimistic spirit of the time, itself largely a product of the nuclear scare. Let the nuclear arms race be brought under control, which now seems increasingly possible, and environmental deterioration will be seen in its true dimensions, not as a prelude to doomsday but as a series of problems that have been created by human agency and can be dealt with in the same way. At the other extreme are those who argue that things have really gotten much worse in the last half century and that we are now close enough to the point of no return to warrant the most gloomy forebodings.

The way the arguments pro and con are presented, these two positions often appear to be polar opposites. But this is an illusion: They actually have a common basis in the belief that *if present trends continue to operate*, it is only a matter of time until the human species irredeemably fouls its own nest.

Against this background it seems clear that everyone who shares the belief in the fatal implications of current trends has a moral obligation on the one hand to try to understand the processes that underlie these trends, and on the other to draw appropriate conclusions about what has to be done to reverse them before it is too late.

The Processes of Environmental Deterioration

There is a vast literature on this subject, much of it of high quality, and this is obviously not the place to try to describe or summarize it. For present purposes, it is enough to point out that by far the largest part of the problem has its origin in the functioning of the world's economy as it has developed in the last three or four centuries. This of course has been the period of the emergence of capitalism and of the bourgeois and industrial revolutions, of coal and steam and railroads, of steel and electricity and chemicals, of petroleum and the automobile, of mechanized and chemicalized agriculture—and of the rapid expansion and urbanization of the world's population in response to the massive growth of the forces of production at the disposal of humankind. All of these developments and others directly and indirectly related to them have involved putting growing pressure on the earth's resources, introducing new methods and substances into the processes of producing, using, and disposing of the worn-out

remains of the things people, groups, and societies require for their reproduction and expansion. Perhaps there have been cases where these activities were planned and carried out with a view to respecting and preserving the natural cycles which over the ages have permitted living creatures, including human beings, to adjust to, and achieve a rough equilibrium with, their environment. But if there have been such cases, they have been so few and far between as to have left little if any trace in the historic record. The new departures that have combined to revolutionize the human economy have always originated with individuals or, relative to the whole, small groups in the expectation of achieving specific benefits for themselves. The indirect effects on the environment did not concern them; or, if they thought about it at all, they took for granted that whatever adverse effects their actions might have would be easily absorbed or compensated for by nature's seemingly limitless resilience.

We now know that such ways of thinking about the processes in question were and are delusory. Activities damaging to the environment may be relatively harmless when introduced on a small scale; but when they come into general use and spread from their points of origin to permeate whole economies on a global scale, the problem is radically transformed. This is precisely what has happened in case after case, especially in the half century following the Second World War, and the cumulative result is what has become generally perceived as *the environmental crisis*.

The major elements of this crisis are well known and require no elaboration here: the greenhouse effect stemming from the massive combustion of fossil fuels, combined with the accelerating destruction of carbon dioxide-absorbing tropical forests; acid rain which destroys lakes and forests and other forms of vegetation, also caused by fossil-fuel combustion; the weakening of the ozone layer in the upper atmosphere that protects human beings and other forms of life from the sun's potentially deadly ultraviolet rays; destruction of top soils and expansion of deserts by predatory agricultural methods; fouling of land and surface waters through industrial dumping and excessive use of chemical fertilizers and pesticides; mounting pollution of the oceans once thought to be an infinite repository of all kinds of wastes but now, in what has become one of the most visible aspects of the environmental crisis, seen to be fragile and vulnerable like all the rest.

This list is of course far from complete and hardly more than hints at the far-reaching and often subtle interconnections of the various components of the environmental crisis.* But it is enough to

* For a sophisticated analysis stressing the element of interconnectedness, see the above-cited work of Barry Commoner, *The Closing Circle*.

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indicate the general nature of the crisis as a radical (and growing) disjunction between on the one hand the demands placed on the environment by the modern global economy, and on the other the capacity of the natural forces embedded in the environment to meet these demands.

What Has to Be Done?

Since there is no way to increase the capacity of the environment to bear the burdens placed on it, it follows that the adjustment must come entirely from the other side of the equation. And since the disequilibrium has already reached dangerous proportions, it also follows that what is essential for success is a reversal, not merely a slowing down, of the underlying trends of the last few centuries.

We have seen that at the heart of these trends is an economic system driven by the energy and inventiveness of entities—individuals; partnerships, in the last hundred years corporations—out to advance their own economic interests with little thought and less concern for the effects on either society as a whole or the natural environment which it draws on for the essentials of its existence. Already a century and a half ago Marx and Engels, in a memorable passage from the *Communist Manifesto*, paid a remarkable tribute to the energy and achievements of the then young capitalist mode of production:

The bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together. Subjection of nature's forces to man's machinery, application of chemistry to industry and agriculture, steam navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization of rivers, whole populations conjured out of the ground—what earlier century had even a presentiment that such forces slumbered in the lap of social labor?

Actually, when this was written in 1847 the rule of the bourgeoisie extended to only a small part of the earth's surface, and the new sciences and technologies harnessing the forces of nature to human purposes were still in their infancy. Since then capitalism has spread to become a truly global system, and the development and application of science and technology to industry and agriculture have progressed beyond anyone's wildest dreams a hundred and fifty years ago. Despite all the dramatic changes, however, the system remains in essence what it was at its birth, a juggernaut driven by the concentrated energy of individuals and small groups single-mindedly pursuing their own interests, checked only by their mutual competition, and controlled in the short run by the impersonal forces of the market and in the longer run, when the

market fails, by devastating crises. Implicit in the very concept of this system are interlocked and enormously powerful drives to both creation and destruction. On the plus side, the creative drive relates to what humankind can get out of nature for its own uses; on the negative side, the destructive drive bears most heavily on nature's capacity to respond to the demands placed on it.*

Sooner or later, of course, these two drives are contradictory and incompatible. And since, as argued above, the adjustment must come from the side of the demands imposed on nature rather than from the side of nature's capacity to respond to these demands, we have to ask whether there is anything about capitalism as it has developed over recent centuries to cause us to believe that the system could curb its destructive drive and at the same time transform its creative drive into a benign environmental force.

The answer, unfortunately, is that there is absolutely nothing in the historic record to encourage such a belief. The purpose of capitalist enterprise has always been to maximize profit, never to serve social ends. Mainstream economic theory since Adam Smith has insisted that by *directly* maximizing profit the capitalist (or entrepreneur) is *indirectly* serving the community. All the capitalists together, maximizing their individual profits, produce what the community needs while keeping each other in check by their mutual competition. All this is true, but it is far from being the whole story. Capitalists do not confine their activities to producing the food, clothing, shelter, and amenities society needs for its existence and reproduction. In their single-minded pursuit of profit, in which none can refuse to join on pain of elimination, capitalists are driven to accumulate ever more capital, and this becomes both their subjective goal and the motor force of the entire economic system.

It is this obsession with capital accumulation that distinguishes capitalism from the simple system for satisfying human needs it is portrayed as in mainstream economic theory. And a system driven by capital accumulation is one that never stands still, one that is forever changing, adopting new and discarding old methods of production and distribution, opening up new territories, subjecting to its purposes societies too weak to protect themselves. Caught up in this process of restless innovation and expansion, the system

* A more comprehensive analysis would have to deal with the creative/destructive drives of "really existing socialism." For the most part, however, the countries in question have felt obliged to emulate, and in the process try to catch up with, the more developed leading capitalist countries. Under these circumstances, the impact of "really existing socialism" on the environment has been hardly distinguishable from that of capitalism. Whether a society of this type in a different global context—one in which it felt secure and able to pursue its own goals free of outside pressure—would have a qualitatively different impact on the environment, is an interesting question but one that lies outside the scope of this essay.

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rides roughshod over even its own beneficiaries if they get in its way or fall by the roadside. As far as the natural environment is concerned, capitalism perceives it not as something to be cherished and enjoyed but as a means to the paramount ends of profit-making and still more capital accumulation.

Such is the inner nature, the essential drive of the economic system that has generated the present environmental crisis. Naturally it does not operate without opposition. Efforts have always been made to curb its excesses, not only by its victims but also in extreme cases by its more far-sighted leaders. Marx, in *Capital*, wrote feelingly about nineteenth-century movements for factory legislation and the ten-hours bill, describing the latter as a great victory for the political economy of the working class. And during the present century conservation movements have emerged in all the leading capitalist countries and have succeeded in imposing certain limits on the more destructive depredations of uncontrolled capital. It is hardly an exaggeration to say that without constraints of this kind arising within the system, capitalism by now would have destroyed both its environment and itself.

Not surprisingly, such constraints, while sometimes interfering with the operations of individual capitalists, never go so far as to threaten the system as a whole. Long before that point is reached, the capitalist class, including the state which it controls, mobilizes its defenses to repulse environmental-protection measures perceived as dangerously extreme. Thus despite the development of a growing environmental consciousness and the movements to which it has given rise in the last century, the environmental crisis continues to deepen. There is nothing in the record or on the horizon that could lead us to believe the situation will significantly change in the foreseeable future.

If this conclusion is accepted—and it is hard to see how anyone who has studied the history of our time can refuse, at the very least, to take it seriously—it follows that what has to be done to resolve the environmental crisis, hence also to insure that humanity has a future, is to replace capitalism with a social order based on an economy devoted not to maximizing private profit and accumulating ever more capital but rather to meeting real human needs and restoring the environment to a sustainably healthy condition.

This, in a nutshell, is the meaning of revolutionary change today. Lesser measures of reform, no matter how desirable in themselves, could at best slow down the fatal process of decline and fall that is already so far advanced.

Is the position taken here in effect a restatement of the traditional Marxist case for a socialist revolution? Yes, but with one crucial proviso: The socialism to be achieved must be conceived, as

Marx and Engels always conceived it, as the quintessential negation of capitalism—not as a society that eliminates the most objectionable features of capitalism such as gross inequality of income, mass unemployment, cyclical depressions, financial panics, and so on. It is capitalism itself, with its in-built attitude toward human beings and nature alike as means to an alien end that must be rooted out and replaced. Humanity, having learned to perform miracles of production, must at last learn to use its miraculous powers not to degrade itself and destroy its home but to make the world a better place to live in for itself and its progeny for millennia to come.

One final note. We call the society with these revolutionary aims socialism. But it certainly will not and cannot be anyone's utopia. No doubt it will do many things badly, at least for a long time, probably worse than capitalism. The relevant questions are different: whether it has once and for all stopped emulating capitalism, set itself the right goals, and is genuinely striving to achieve them. If and when these questions can be answered in the affirmative, we shall be on the road to salvation.



If anybody wants to know what Big Business is, I say General Motors; and if they want to know what small business is, I tell them the corner grocery store. Then if they want to know just where to draw the line, I send them to hell. Worrying about where you draw lines is the business of bourgeois economics. Explaining the phenomena which indubitably exist on both sides of the line, wherever drawn, is the business of Marxists.

—Paul Sweezy to Paul Baran, January 19, 1957



On the Iraq question: let us suppose that the CPI [Communist Party of Iraq] could have seized power and actually did so and that the U.S. and Britain had marched in. Does that mean that the Russians should also have marched in? Not at all. The CPI is not, or at any rate should not be, an arm of the Soviet state. There can be no doubt, I think, that military occupation by the imperialists would have stirred up an Algerian-type resistance which would have involved the whole Arab world in a genuine anti-imperialist struggle. As it is now, the revolutionary movement in the whole region is being stamped out and a "neutralist" bourgeoisie is, objectively speaking, becoming the perfect instrument of U.S. domination.

—Paul Sweezy to Paul Baran, April 22, 1963

Four Letters to Paul Baran

PAUL M. SWEETZ

Paul Baran and Paul Sweezy carried on a voluminous correspondence in the 1950s and early 1960s that constitutes perhaps the foremost exchange of letters between Marxist political economists in the second half of the twentieth century, comparable in some ways to Marx and Engels's correspondence during the nineteenth century. The correspondence was a necessity of their close working relationship since Paul Sweezy was living in Larchmont, New York and editing *Monthly Review* while Paul Baran was living on the other side of the continent in California and teaching at Stanford University. Excerpts from a few of these letters, written by Paul Baran, were published in the March 1965 issue of MR, later published as a separate book (*Paul Baran: A Collective Portrait*). We are printing in full four of the letters by Paul Sweezy here. References to the "opus" have to do with their work on *Monopoly Capital*, which occupied the two Pauls for most of a decade, until Baran's death in 1964. — The Editors of MR

In 1960 Leo Huberman and Paul Sweezy traveled to Cuba where they went to investigate the vast social upheaval occurring in that country and where they were the first to recognize and describe its socialist character. They met with and advised the leadership, including Fidel and Che. They later wrote *Cuba: The Anatomy of a Revolution*, published in MR in July-August 1960 and subsequently issued as a book. Their book helped put Cuba on the map for the Western left. This letter from Sweezy to Baran presents Sweezy's first impressions of the revolution.

Hotel Nacional de Cuba, Habana
March 7, 1960
Dear Paul,

This is a beautiful and fascinating place. There's no doubt that the revolution is genuine. The old state apparatus has been completely smashed, but completely, and replaced by Castro supporters. Armed workers' and peasants' militias are all over the place. Castro is the most genuinely popular leader I have ever had any experience of. And, last but not least, the boys around him are

tough, able, and dedicated socialists with a very good understanding of the problems of political power and the economics of underdeveloped countries. We spent all day yesterday in continuous discussion with the planning group at the Agricultural Reform Institute (INRA), including the number two man, a former journalist who is very able and is the executive driver of the central institution of the revolution. The weakness of the setup is not economic. It is a rich country with so much potential surplus that they have been able to raise standards of living very considerably—especially for the landless and unemployed rural workers who are the political backbone of the revolution—even in one year. With Soviet help, and even moderately effective planning they should be able to keep the balance-of-payments problem under control and get a workable development program under way. The potential Achilles' heel is the lack of a real political party to educate and discipline the masses for the tough years to come when they really feel the brunt of imperialist counterattack. Everything is in fine shape now, but if Castro should get killed and when the revolutionary enthusiasm wears off, the old division and corrupting power of the still largely intact bourgeoisie will begin to do its nefarious work. Whether the revolution can stand up then is a big question mark. The CP of course is trying to fill the gap in the political machinery, but I doubt if it can. It has made too many mistakes and seems to have little "feel" for the special problems of this kind of underdeveloped country. Castro himself is an absolutely brilliant and highly intelligent political leader who learns fast. If he lives, maybe it will succeed. Anyway, it's a very exciting place and makes you feel wonderful to be in it. We've been given the real red-carpet treatment.

I've told them that you can come down here—and Hubie and I will come back too—to help with their educational and training problems—but only after opus is finished. We *must* get that thing out of the way in the shortest possible time. There's a lot of other work to be done.

I'm to talk on planning some time next week for all government officials who want to come. Meanwhile, we're going to travel around the countryside and see some of the agricultural co-ops.

Hubie joins in sending love. Write to this hotel (a lovely place)!

Yours,
Paul



The following letter starts off with an apology by Paul Sweetz regarding his failure in a previous letter to inform and include Paul Baran fully in the plans related to discussion of the "Great Debate" on the future of the socialist countries, appearing in a special May 1963 issue of MR (then in press) entitled "The Split in the Socialist

FOUR LETTERS TO PAUL BARAN

World." Baran had wanted to add his own contribution to this discussion to be published in the June 1963 issue, but problems of timing associated with the magazine's publication schedule intervened, making it difficult for Sweezy to comply, especially with regard to a still unwritten manuscript. This complicated their relations. This letter shows how they dealt with misunderstandings between them, which sometimes involved the magazine. Sweezy then goes on from there to provide a remarkable assessment of the prospects of revolution and socialism in the second half of the twentieth century.



Paul Sweezy, Paul Baran, Fidel Castro, Leo Huberman, Cuba 1960

Larchmont, N.Y.

April 26, 1963

Dear Paul,

Your special which just arrived puts me to shame. Perhaps you will find it hard to believe but I really had no idea that my letter of the 22nd would give offense. It started out to be nothing more than an acknowledgment of yours of the 19th which had just arrived—an explanation of why you wouldn't hear from me until after I got back from Boston and a means of conveying the information that the Latin American people had not replied at all (they still haven't). Then I got started on a line of thought relevant to the great debate and ran on for a page, more or less incoherently as I now see from re-reading, until I realized that I had to tend to certain matters

before leaving for Boston, whereupon I hastily broke off. Whatever unconscious motivations may have been at work, my failure to answer about your suggestion to write a piece dealing with great-debate and related matters for the June issue was, on the conscious level, merely a reflection of a decision to wait until I got back to produce a "real" answer to your letter. I fully understand why you interpreted it differently and I can only offer my most sincere apology for inexcusable insensitivity and rudeness.

On the substance of the matter, let me say first that it is taken completely for granted by Leo and me that the pages of *MR* are always open to you. Whenever you have something to say via that medium we are delighted to have it. The matter of timing of course has to be decided as a question by itself, but I cannot overemphasize that it has no bearing whatever on whether we want your stuff—we do. So all that is involved in the present case is timing, and on this I was not entirely clear about what would be best when I got your letter and still am not. The main point is the following: The May ROM is entitled "The Split in the Socialist World" and is in effect a reappraisal (as compared to the December 1961 ROM entitled "The Sino-Soviet Dispute") of the Chinese position as laid down in recent theoretical and programmatic pronouncements. When you write in *MR* about these matters you will obviously want to have read this and perhaps to refer to it, and some further comments by us may be in order. On Monday, when I wrote, I didn't have a copy of the May piece and I still don't. I have just talked on the phone to Leo, however, and he has proofs of it in the office. He will airmail you one set right away and it ought to reach you at about the same time as this letter, or rather in the first regular mail after this letter. In making up your mind what to do, there are a number of other things to take into account: (1) We are planning to run your letter to Ping [W. H.] Ferry in June. If you write something that, by the nature of its contents, ought to appear in June, we can of course postpone the reply to Ping until September. (2) On the other hand, it might be better to schedule the great-debate piece for September, which would give us time to clarify our viewpoints through further correspondence and quite possibly to come to a meeting of minds. I would much prefer that whatever you write would be something to which we could say "amen" rather than something that seems to indicate a serious difference of opinion. (3) In general the June issue is less good than the September issue for reaching people—colleges are breaking up for the summer, more copies go astray or are neglected, etc.

I look forward to your reactions to all this. Meanwhile, a few comments on what you say in the long paragraph on the first page of yours of the 24th. I have a feeling that we haven't yet succeeded in defining the issues we are talking about with the necessary

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clarity. Very tentatively, I would propose to identify them in the following terms:

1. What is going to be the general nature, on a global scale, of the transition from capitalism to socialism from now on?

2. Given the answer to this question, what are the appropriate general lines for (a) socialists in the underdeveloped countries? (b) socialists in the advanced capitalist countries? and (c) socialists, including governments, in the socialist camp?

In most general terms, I would tend to answer (1) by saying that the chief form of transition for a long time to come (decades rather than years) will be some variant of the Cuban model, but with the U.S. getting involved on the side of the reactionaries before they are overthrown. (There is no doubt in my mind, for example, that if the U.S. had known what it now knows Cuba would have been South Vietnamized in 1958 and guerilla war would still be going on there.) This state of affairs will tend to spread throughout the entire underdeveloped "free" world, with the U.S. quite literally fighting a world-wide anti-guerilla war. That can go on for a long time but not forever. At some stage, rot and breakdown will set in in the imperialist center. When that happens, a new phase in the global transition process will open. But that is still a long way off, and it is not now possible to speculate usefully on the problems that will then arise. We must attempt to answer the questions under (2) for the first stage. As to socialists in the underdeveloped countries (2a), it seems to me that they have first of all to get rid of their illusions and then to prepare for a whole era of revolutionary struggle against their own reactionaries and the U.S. occupiers. Vietnam and Algeria provide extremely valuable lessons, and so do other areas (e.g. we have a piece on the Philippines by Bill Pomeroy for an early issue which throws extremely valuable light on why the Huk movement failed in its first try). But at this stage of the game, it seems to me to be a matter of the greatest importance that the Left in the underdeveloped countries should achieve theoretical clarity, and it is in this connection that I think and hope that *MR* can make a modest contribution. (2b) My own instinctive feeling is that there is really nothing socialists in the advanced capitalist countries can do except expose and denounce the in- and anti-human campaign of imperialism against all progress and decency on the one hand, and keep alive a core of revolutionary rationality against the time when the breakdown of the imperialist metropolises begins in earnest. (2c) I assume that it is here that our differences are focused. It seems to me that Chinese behavior vis-à-vis South Vietnam is very germane and in fact provides a sort of model of what the socialist countries should do in the period ahead.

With regard to your remarks on Iraq, I think the problem was wrongly posed by me in the first place. There never was any chance

of a clean-cut takeover by the CPI [Communist Party of Iraq] which would all at once have confronted the U.S. and the USSR with a *fait accompli*. As in Cuba, the revolution would have had to go through a more or less prolonged phase of civil war. The U.S. and Britain would have moved in during this phase, no doubt at the request of a crumbling government headed by Kassim or some successor general (it is always possible to get someone to invite you in, the only trick is that he must still be there to let you in as well). And I think the USSR should have acted as China and North Vietnam have been acting in South Vietnam.

Cuba is of course an entirely different problem, since it managed to make the transition against opposition that the U.S. mistakenly judged would be sufficient to denature or overthrow the revolutionary regime. Once Cuba joined the socialist camp, it certainly could not be abandoned by the USSR and the other socialist countries. I entirely agree with you there, and I can now see that what I said in my last letter about this is a combination of wrong formulation and wrong idea. I need to clarify my own thinking about this, which I don't find at all easy. At one time, I thought putting the missiles into Cuba was the right decision, but when I saw the tremendous damage that had been done in the rest of Latin America I wavered on the matter. Maybe leaving enough Soviet troops there to make sure that the U.S. knows that attacking Cuba would mean killing Russians is the best course now. But if so, one may well ask why not admit Cuba as a full member of the Warsaw Pact? I dunno....

The Boston trip was good and useful. Kids are well and cheerful. Spent one evening with a group of old Cambridge friends, including a Negro instructor in the Harvard Government Department who has spent a couple of years in Sierra Leone. He says that the greed and rapacity of the new regimes in most of the new African countries (exceptions, more or less sweeping, made for Ghana, Guinea, and Mali) is simply out of this world. Those boys are made-to-order tools of imperialism. I'm afraid the struggle in Africa will be terribly bloody, long, and full of defeats and disappointments (the Congo is all too prophetic)....

Take a moment to write me a reassuring note when you get this? Or more if you have the time.

Love,
Paul



Chapter 7 of Baran and Sweezy's Monopoly Capital was devoted to the topic of "Militarism and Imperialism." The principal problem that they faced was to account for the enormous emphasis of the United States on military spending in the post-Second World War era. Was it primarily a response to the "Soviet threat" or did it

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have more to do with U.S. imperialism? The issues were complex, and Paul Sweezy's very detailed attempt to sort it all out in this letter, which he then used in redrafting the chapter, offers a unique window into his thought process and the underpinnings of the argument that they were developing.

Larchmont, N.Y.

January 19, 1964

Dear Paul,

This letter will be by way of thinking on the typewriter. The problem is to re-architect chapter 7 which I have been trying to fix up in minor ways and have finally come to the conclusion that it can't be done. Something more drastic is needed.

As it stands, the plan of the chapter is somewhat as follows: First, the question is posed as to why the oligarchy needs a large and growing military establishment in the post World War II world when no such need existed in the pre-war period. The answer is approached historically. After World War I, the chief have-not imperialist power was kayo'ed for the time; the U.S. was allied to the old imperialist powers which firmly controlled Asia and Africa; extending control in Latin America required little in the way of military force; and the Soviet Union was too weak and exhausted to constitute a threat. By the 30's, however, the situation had changed. Germany and Japan were on the warpath, and it might seem that the old imperialist powers needed to arm heavily to defend their positions. Instead, they followed the policy of appeasement designed to push the Axis powers into a mutually destructive war against the socialist USSR. This policy backfired, leading to World War II itself. The next question is why there was no return to the status quo ante, armament-wise, after the war. The official explanation of defense against Soviet aggression is nonsense. The real explanation is the continued determination to contain, roll back, eventually destroy socialism which became much more extensive and powerful as a result of World War II. The inherently aggressive character of this policy calls for an endless effort to gain (or maintain as the case may be) military superiority. Since the other side cannot let the gap become too large, this assures an arms race, in other words a need for more and more armed forces, Q.E.D. However, this is not the whole story. The U.S., with a long tradition of imperialist expansion, has used the opportunities presented by its leadership role in world capitalism and the disintegration of the old colonial empires to build up the biggest empire the world has ever seen. Quite apart from the struggle against socialism, this effort would require enormous armed forces. And in fact it is being admitted with increasing frankness that the purpose of the world-wide system

of bases is to police the empire rather than to counter the non-existent threat of Soviet (and Chinese) aggression. The danger to the empire comes from socialist revolutions, which are mutually reinforcing and gain impetus and strength from the growing strength of the major socialist powers. So in the final analysis, the two reasons for a large military establishment—to contain the spread of socialism and to police the empire—merge into one. The rest of the chapter on why, in spite of all, the military outlet for surplus doesn't solve the problem doesn't concern me for the moment: it is the main part of the chapter up to page 45, as sketched above, which I now find unsatisfactory.

I don't find it easy to put my finger on just what is wrong, but in most general terms I think the trouble is—superficiality. Everything is made to depend on hostility to socialism which is taken as a datum and as such can only be considered to be a subjective factor. The objective factors which underlie and explain this hostility are not examined—except belatedly and so to speak incidentally when the threat of socialism to the empire is brought in near the end. And even then nothing systematic is said about why the U.S. wants an empire anyway. A critic could legitimately claim that the whole argument as it stands is compatible with the assumption that U.S. policy is dominated by an irrational dislike of socialism and an equally irrational desire for an empire. And that, leave us not kid ourselves, ain't not no Marxism.

So the chapter needs to be redone.

Interruption at that point. Resumed on January 22 [Sweezy's own note—Eds. of MR]

The question is how is the chapter to be *approfondi*. Let us try an approach and see if it shows any promise.

The beginning could be the same as now, and indeed more or less has to be unless the preceding chapter is also to be redone. In other words we start with the question: Why does the U.S. oligarchy need such a huge military machine nowadays when it used to get along with such a little one? From here we proceed to a theoretical treatment of the question of the role of armed force in capitalist society.

1. Capitalism has always been an international system. This was understood by Marx, but the plan of *Capital*, taken together with the fact that it was never finished, tends to obscure this. The international character of the system is crucial to an understanding of the role played by armed force in its structure and development.
2. The three major uses of armed forces: to dispossess and repress domestic labor; to subjugate and hold down colonies (using term in broad sense); to fight with other capitalist metropolises for monopolistic positions vis-à-vis colonies and to be able to exploit

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each other. (That last one is not well expressed, but you can probably get the point.) Insert footnote along in here to the effect that the technology of warfare and the organization and provisioning of armed forces have always—and not only under capitalism—exercised a profound influence on economic development. This aspect, however, we omit from consideration in this essay. (See Marx to Engels, September 25, 1857.)

Amendment to point 1 above: Not only has capitalism always been an international system; it has always been a hierarchical system with one or possibly two or three leaders at the top and completely dependent colonies at the bottom and many degrees of superordination-subordination in between. Each layer exploits those beneath it, while each nation attempts to monopolize as many of the units below it as possible. This schema will permit a more satisfactory formulation of the matter in point 2.

3. All nations—except the completely dependent, and defenseless ones at the bottom—have a need for armed force to maintain and if possible better their position in the exploitive hierarchy. How much a given nation needs at a given time depends on (1) its position in the hierarchy and (2) on the pattern of relations in the hierarchy as a whole at that time. Leading nations will always require relatively most, and their needs will vary according to whether there is or is not an active struggle going on among them for the top spot. Thus the 17th and 18th centuries, which saw almost continuous struggles among the Dutch, Spanish, and English and later between the English and French, were highly “militarized” centuries. After 1815, the period of Pax Britannica lasted for more than half a century, with the need for armed forces receding in importance in most countries. Bourgeois thought, incidentally, came to regard this period as the “norm” rather than as the exception determined by the fact that for the time being—and as such matters go quite a long time too—there was only one unchallenged leader nation which to one degree or another exploited the whole world and maintained its supremacy through its own armed strength and a system of alliances which suitably rewarded those who helped to maintain Britain on the top of the heap. The German challenge, beginning with the unification of the Reich under Prussian hegemony, of course upset this relative equilibrium and led to the new upsurge of militarism which culminated in World War I.

With so much by way of theoretical introduction, it should be possible to go on and give a sort of schematic sketch of the development of U.S. capitalism’s need for military strength. The guiding principle of U.S. policy during the country’s whole history up to World War I can be described as one of maximum

aggrandizement at minimum cost. Up to the end of the Napoleonic Wars, this was pursued largely through exploiting the struggles among the contenders for leadership (French alliance during the revolution, Louisiana Purchase, etc.); after 1815 through playing ball with Britain while always extracting the maximum attainable price. In this way, the U.S. built up a large, if still secondary, empire on the cheap and by the early 20th century was about ready to start making its own bid for a leadership role. This was delayed by the need to join the other "have" powers in turning back the first German leadership bid and then the German-Japanese bid. After World War II, however, U.S. leadership of the capitalist world was established beyond any possibility of challenge, as Britain's had been after 1815. This by itself would be enough to explain why U.S. military needs never returned to the status quo ante following World War II. The undisputed leader of the system must have and maintain military supremacy directly and/or through manipulation of alliances. The U.S. used both methods, all the while gathering into its own neocolonial empire the debris of the older colonial empires. This too dictated a need for increased military strength, as the U.S. increasingly took over policing assignments formerly discharged by the older empires. But Britain had had a similar experience in the 19th century without feeling a steadily mounting need for military strength. In fact, British experience would tend to support the view that the very existence of an undisputed leader would have the effect of stabilizing the military needs of everyone, including its own even if at a relatively high level.

To explain why U.S. needs did not stabilize but instead expanded rapidly during the postwar period, we have to go beyond theory based on past capitalist experience and take account of a new historical phenomenon, the rise of a world socialist system as a rival and alternative to the world capitalist system. The question is: why should this give rise to steadily mounting military needs on the part of the capitalist leader nation?

Vulgar capitalist ideology (or perhaps it doesn't even deserve that label?) has a ready explanation: the threat of socialist (Soviet or Chinese or Sino-Soviet) aggression, or rather the determination of socialism to conquer the world by military means. This, of course, is nonsense—the reasons need not be gone into at anything like the length of the present version of chapter 7.

Vulgar socialist ideology also has a ready explanation: socialism has to be combated and if possible destroyed because its advance means the loss of foreign trade which is crucial to the existence of capitalism. This also is nonsense, since socialist countries are perfectly willing to trade with capitalist countries. Even more: as bourgeois economists are never tired of repeating, the more developed a country is industrially the better it is as a trading

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partner. Since the underdeveloped countries develop under socialism and not under capitalism, the leader capitalist countries, on this argument, should welcome the spread of socialism in the underdeveloped part of the capitalist world. (NB: Somewhere in here, point out in footnote that Oliver Cox's theory of capitalism, while valuable and constructive in stressing the international and hierarchical character of the system, lends itself to errors of this kind because of its exclusive emphasis on trade as the form of relations among countries in the capitalist system.)

The problem is in reality more complex. What concerns capitalists is not trade but profits and the profits from exports and imports are but a part, and under present-day conditions a minor part, of the total profits of international business in the widest sense. One must look at the problem not from the standpoint of the "nation" but from the standpoint of the giant corporations which dominate the nation. Here follows the meat of the chapter contributed to the Kalecki Festschrift—Standard Oil as the prototype of the "multinational" corporation—the spread of this phenomenon since 1950 or so—latest figures on sales and profits of foreign subsidiaries (*Business Week*, Dec. 28). (Footnote somewhere in here pointing out that all this has very little to do with capital export and that the greatest weakness of Lenin's theory of imperialism was to confuse foreign investment with export of capital.) I don't suppose it's possible to get any overall figures on the proportion of the profits of, say, the 500 largest corporations derived from international operations, but if you have any ideas about how they might be procured or estimated, please let me know pronto. In any case, the decisive importance of international operations is not open to question. And the condition of their being carried on is that the laws and institutions of the host countries should be suitably adjusted—private property, receptivity to foreign enterprises, etc.

Against this background, one can see the real nature of the threat of socialism. When a country takes that path, it *eo ipso* excludes the multinational corporations. Case of Cuba as illustration. So the spread of socialism is a mortal danger to the dominant force in the advanced capitalist countries, and above all to the U.S. which has far outstripped the others [and] is proliferating the multinationals.

But, it may be asked, why does countering the threat of socialist expansion involve a need for growing military might? I haven't worked this argument out yet, but a number of points to be dealt with are fairly obvious. For one thing, I think it probably necessary to dispose of the notion that there's a better and cheaper way for capitalism to protect itself, i.e., by helping the underdeveloped countries to develop and hence rendering them immune to the

socialist virus. They can't develop under a regime of exploitation by multinational corporations, and the whole purpose of capitalist policy is precisely to keep them under that regime. In fact, under that regime they are bound to get progressively worse, hence the threat of socialism must grow. The only possible way to meet it is through armed force. But the armed force needed can't be kept down to the low level that would be required to fight small wars of intervention against revolutionary regimes. Because there exist powerful socialist states at the heart of the world socialist system, and they are capable of assisting new arrivals in the socialist camp. Hence capitalist military policy, which means first and foremost the military policy of the capitalist leader country, must aim to build up sufficient military strength to intimidate the socialist leader countries. The latter, in turn, must seek to prevent this from happening. Hence a built-in arms race. Q.E.D.

Let me know whether you (1) approve *en générale* the foregoing alternative approach to the architecture of chapter 7; and (2) whether you have specific criticisms or amendments. If the answer under (1) is "no," do you have any ideas about what the architecture should be?

I'm sending you the carbon rather than the ribbon copy of this letter, since I may have to use it as working notes and the ribbon copy doesn't smear under continuous shuffling around as the carbon tends to do.

More on other things soon,
Paul

A question that Baran and Sweezy had to address in their overall treatment of imperialism was whether to use the term in its more classical, Leninist sense—referring to a distinct stage of capitalism beginning at the end of the nineteenth century—or to employ it in the broader sense of the domination of the countries in the center of the world economy over those in the periphery. Sweezy here makes the case for using the term in the latter sense, while using the term "monopoly capital" for all references to the present stage.

This discussion is followed by another issue raised by their work on Monopoly Capital—the critical question of the distinction between surplus value and surplus (or economic surplus). Here Sweezy refers to "interpenetration effect" (a shorthand term used only in their correspondence to refer to the issue of the penetration of the sales effort into the production process, an idea taken over in part from Veblen). Under the regime of monopoly capital, as they were to point out, the "sales and production efforts interpenetrate to such an extent as to become virtually indistinguishable"

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(*Monopoly Capital*, p. 131; see also John Bellamy Foster, *The Theory of Monopoly Capitalism*, pp. 37-42). This enormously complicates the issue of necessary costs, including both necessary wage costs and necessary consumption, making any clear quantitative designation of the actual extent of the economic surplus virtually impossible, even though the general concept stands out sharply. Sweezy's way of confronting this problem shows the power of his reasoning, and his unwillingness to adopt the kinds of easy, but meaningless solutions typically employed by economists when faced with such difficult questions.



Paul Baran and Paul Sweezy

Larchmont, N.Y.

March 7, 1964

Dear Paul,

I don't know what I said that could lead you to suppose that I am in danger of falling into "the position of saying all of history was bad and immoral, that capitalism was always nothing but ruination of the now colonial and dependent countries, and that we are 'agin it.'" Such is very far from the position I would wish to advocate. I am fully in agreement with the view stated in the

Manifesto that capitalism was—and to a considerable extent still is, since the computer revolution and also atomic energy both stem directly from capitalist war efforts—the great multiplier of the productivity of human labor. I simply do not want to lose sight of or play down the other side of the coin, which is the ruination of the underdeveloped countries. They did not at any time share in the advance, quite the contrary. And they can only share in the advance by overthrowing capitalist hegemony and making its achievements their own. But why should I waste time saying such things to the author of *The Political Economy of Growth*?

As to Lenin's use of the term "imperialism," that is quite another matter. My main point in this connection was a semantic one and as such not terribly important. By identifying monopoly capital with imperialism, by giving that name to the latest stage of capitalism, Lenin inevitably suggested that imperialism, in the usual meaning of the term, did not characterize the earlier stages of capitalism. I cited my own intellectual history to support this point. I don't suggest, or think there would be any point in, an overt criticism of his usage—at least not in the context of the opus. But I do suggest that we avoid that usage and that when we want to refer to monopoly capital we use that term.

I agree with you, of course, that "the organized, 'civilized,' exploitation by corporations [etc.] constituted a substantial departure from the practices of Lord Clive and the conquistadors of old." But what I would not want to do is to lend any support at all to the view that this difference signalizes improvement *from the point of view of the mass of the people in the exploited countries*. *Ex visu* of their position in the world, capitalism was always and remains a disaster; as you say it is progressive for them "only in the sense that it promotes liberation movements"—and in the sense that it prepares the knowledge, technology, etc., which those movements need to create higher social forms. But the latter function is now becoming dispensable since it can also be discharged by the socialist countries. If this view of the matter is correct, however, I don't see how it can be maintained that *on the whole* and considering the system as of world-wide scope, capitalism becomes retrograde with the coming to dominance of monopoly in the metropoli. It is only about then that liberation movements really get under way, and surely the *technological* progressiveness of capitalism does not cease at that point. It might perhaps be argued that the turning point to overall regressiveness is reached when socialism is capable of assuring the continued development of science, technology, etc. But this question needs a lot of thought, which I haven't given to it. In the meantime, I wonder whether this was really a question Lenin had in mind when he wrote imperialism. I haven't looked at that work for some time,

but my recollection is that what he was primarily interested in was not the consequences for underdeveloped countries so much as the effects on the advanced countries—their desperate struggles over the spoils with the consequent militarization of their societies (and mentalities), the generation of a labor aristocracy as the basis of reformism, etc.

When I introduced the question of what a Congolese might think, I was not referring to an illiterate tribesman. *Ex definitione*, he will not be one of our readers. I am thinking of a Congolese revolutionary Marxist, and I am thinking of him merely as a representative of all the revolutionary Marxists in the underdeveloped countries. I believe they are a very important part of the audience we want to reach—perhaps they are *the* audience we want to reach. So I think it does matter what they think and that we should consciously try to express ourselves in a way to make them feel that we're on their side. Natch, that doesn't mean pandering to their weaknesses, but it does mean conscientious suppression of great-power or "advanced-country" chauvinism.

Regarding surplus value versus surplus: please don't misunderstand me: I am not in the least questioning the tremendous significance of the interpenetration effect and the damage it does to the traditional Marxian schema. My critical remarks were devoted to the other part of your presentation. Let me try to restate.

For Marx the value of labor power is determined by an historically conditioned minimum which is enough to enable the working class to live at a standard which, *inter alia*, will enable it to reproduce itself in the required numbers and quality. But this is in no sense an *irreducible* wage. It can be reduced, and at certain times and places has been. The result is a deterioration in the labor force, which Marx certainly thought had happened in England since the beginning of the industrial revolution. The other result is to add profits by deduction to "normal" surplus value. Though the opposite problem, i.e., the rising of wages above the minimum so defined, did not occur to him, I think there is no doubt that to be consistent he would have had to treat it as Sraffa does, i.e., as a case of workers' sharing in the surplus. I don't say that we should adopt this way of handling the problem; I am simply arguing for accuracy and consistency in presenting Marx's own position.

The question of the dividing line between necessary costs and surplus (in our sense) remains, of course. If it were only a matter of deciding what wage to treat as cost, one could perhaps devise a rational answer (though one would have to recognize that *au fond* it would be merely another form of the solution Marx provided with his concept of the value of labor power). But with interpenetration a *major* factor, as it undoubtedly is, I wonder if *any* solution is really rational? The concept of what the same output would cost either

under competitive capitalism or under planned socialism has many difficulties, not the least of which is that under neither setup would the "same" output be produced. Sometimes I suspect that this problem may be like some in mathematics and logic, one to which there can be no solution. But how is one to get anywhere *without* the surplus concept? It is all very worrisome.

I hope the foregoing will not simply serve to muddy waters when what you need is exactly the opposite.

More on other things later.

Love,
Paul

MONTHLY REVIEW

fifty YEARS AGO

A hundred years ago, Karl Marx was a regular correspondent of the *New York Tribune*, one of the direct ancestors of today's *New York Herald-Tribune*. Among his communications was one, published on August 8, 1853, entitled "The Future Results of British Rule in India." Though he knew little of India's past, and though some of his predictions for the future have not been borne out by subsequent events, Marx nevertheless had a remarkably clear insight into the nature and potentialities of Indian society as it existed in his time. "[The British] destroyed [Hindu civilization]," he wrote, "by uprooting native industry, and by leveling all that was great and elevated in the native society." Political unity was imposed by the Indo-British army, strengthened by the telegraph, the free press, the railroad, and ordinary roads that broke up village isolation—all noted by Marx as instruments of future progress. But he stated clearly....

The Indians will not reap the fruits of the new elements of society scattered among them by the British bourgeoisie, till in Great Britain itself the now ruling classes have been supplanted by the industrial proletariat, or till the Hindus themselves shall have grown strong enough to throw off the British yoke altogether. At all events, we may safely expect to see, at a more or less remote period, the regeneration of that great and interesting country....

— D. D. Kosambi, "Notes on the Class Struggle of India,"
Monthly Review, October 1954

Remembering Paul

Salvador Aguilar, Spain

We have learned the news of Paul Sweezy's death on Thursday, March 4th, as it was published in *El País*, the main newspaper in Spain. I was a student of his at the New School in a course entitled "Reading and using *Capital*" in the second semester of 1974-75. I remember all of this very well because of the special atmosphere surrounding this particular course that year (attended by a real crowd because of the great expectations created among the students). I was lucky enough to get a very good grade and, after that, start a very satisfactory friendship with Paul. I attended some of the famous working lunches at the MR office and for many years, after my return to Barcelona, we corresponded about the most variegated topics. In 1977, Paul and Harry (along with, among others, Galeano and Gunder Frank) attended the Barcelona conference on Imperialism Today that served as a kind of public presentation here of *Revista Mensual/Monthly Review*, and all the lecturers, but especially Paul, got a very warm reception by the students. All in all, my feeling is this: for me, as for many others, of course, he was a real master; not only intellectually—what can be said about such astonishing works as *The Theory of Capitalist Development*, *Monopoly Capital* or his pieces on postrevolutionary societies?; not only as a master writer of monthly assessments of what was going on in the political economy of the planet; but also as a political reference point as one of the main contributors to creating the *Monthly Review* style of radical left politics—a very important contribution in my opinion since it anticipated what most of the advanced left is getting at in recent decades. Finally, he was an exemplary master as a person: dedicated, respectful, democratic, and delightful to speak with.

The other contributors to the Spanish version of *Monthly Review* (Carlos Zeller, Arcadi Oliveres, Pep Ricou, and Jesús López) join me in sending you our condolences and expressing our admiration for Paul Sweezy and our dearest wish in his memory: the *Monthly Review* must continue!

Ricardo Alarcon, president of Cuba's parliament

When we first read *Cuba: Anatomy of a Revolution*, I could not anticipate that someday I would have the privilege of meeting its authors, Leo Huberman and Paul Sweezy, and establishing a relationship with them that would forever enrich my life. That book first came to us, young militants of a movement that was trying to consolidate itself and advance in a largely unknown world, and it

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revealed both the challenges that lay ahead and the solidarity and understanding that will always accompany an authentic revolution.

It is practically impossible to summarize in a few words how much I personally owe Paul. His books are responsible, in large measure, for what I may have learned about capitalism and imperialism, and the lucid analysis of *MR* enlightened me and many others about the complexities of the struggle for socialism and freedom. From a third world perspective, Paul's theoretical contributions and the political commitment of his entire life are inseparable from our saga toward independence, justice, and development. I especially cherished our discussions about Marxism and socialism and, above all, the many hours we spent analyzing the Cuban Revolution, its problems, and its promise.

He is not responsible, of course for my errors, neither of theory nor of practice. He always did his best, including the afternoon when he so unsuccessfully tried to convert me into a tennis player.

Paul's unique capacity for an honest, critical, and committed vision of socialism makes him one of the most important and influential thinkers of the progressive movement, permitting him to become what Che considered the highest echelon of human life, a revolutionary—a consistent and unrepentant one. He is a kind of man that shall be needed forever and will shape the future (*Monthly Review*, April 2000).

Samir Amin, Senegal

Paul Sweezy was a great teacher with an open and inventive mind, the very example of a lucid and courageous militant life. A friend. Paul Sweezy was one of those whose Marxism did not end with Marx, but began from him. In Vol. II of *Das Kapital*, by putting to work the key concept that total output comprises two productive sectors—investment goods (“Department I”) and consumption goods (“Department II”)—Marx began the undertaking of a rigorous analysis of the process of capital accumulation. He shone a light on the contradictions within the system forced by the class struggle, whose effects are expressed through inconsistencies in the dynamics of expanded reproduction. Marx thus offered a framework for analysis of the uneven development of global capitalism.

In the years after Marx's death, these paths to a continuing working out of the theoretical understanding of really existing capitalism gave rise to inventive critical conceptual work from Rosa Luxemburg, Franz Bortkiewicz, and those analysts of imperialism on whom Lenin based his own analysis. But later, the simplistic dogmatism imposed in the Third International was to call a halt to the necessary task of tirelessly continuing the work of Marx. Paul Sweezy is to be found among those exceptional thinkers who

rejected that false discipline. That fact made him one of the main precursors of future social thought and the renewal of Marxism. Through his analysis of the problem of absorption of surplus-product he began a necessary renewal of the theory of contemporary monopoly capitalism. Above and beyond that, by linking this analysis closely to that of imperialism he placed the whole theory of capitalism squarely within its real global dimensions.

Paul Sweezy was a clear-sighted and brave militant. None better than he to make the whole world understand both the true nature of the American ruling class's imperialist program and those specific features of its political culture which, ever since its birth and the conquest of its West, have shaped that ruling class's mental outlook. Such a work of unsparing critique required untamable courage like that which Paul Sweezy demonstrated in McCarthyite times. The best tribute we can pay to his memory is to continue his brave and clear-sighted work with the same courage and lucidity. (Translated from the French by Shane Mage.)

Kenneth J. Arrow

I was happy to enjoy a friendship with Paul Sweezy during his terms as visiting professor at Stanford and through correspondence and subsequent meetings. His integrity in the fight for social justice as he saw it is striking in an opportunistic world. Yet his firmness did not preclude a sensitive adjustment as new conditions emerged and knowledge changed; he preserved a rare balance between consistency of ideals and evolutionary changes in policies and attitudes.

Lourdes Beneria

This is a long overdue letter which has been on my mind since Paul Sweezy passed away. I do not need to repeat what I have said many times about him: yes, it feels like a huge loss even to those of us who didn't know him intimately. He was very important to all of us left economists struggling to make sense of the received wisdom (or un-wisdom) from economics departments during the second half of the twentieth century. His courage in dealing with the establishment within the profession during the post-WWII period was always a source of inspiration to those of us critical of hegemonic thinking. And we were influenced by his writings which were very important for our intellectual formation, for our understanding of the world, and for our research and teaching. His passing represents the loss of an intellectual father. However, rather than dwelling on his many achievements, my intention here is just to remember a very specific episode: the Berkshire Forum that took place in Stephentown, N.Y., on May 12-15, 1988, and which resulted in the book, *Instability and Change in the World Economy*, edited

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by Art MacEwan and Bill Tabb.

Paul and Harry Magdoff participated fully in the forum. All of us stayed at the farmhouse which provided a sense of intimacy within a beautiful rural setting. Away from urban noises and regular tensions, it was a perfect place to discuss the internationalization of the world economy, (the word "globalization" had not become commonplace yet and our analysis of it was still moving along preliminary steps). I had the impression that we were living a historical moment, with Paul and Harry providing a critical bridge between generations. It was a time of crisis for the world economy and Paul addressed the issue in his 5/14 afternoon talk. One of his main points was that, given the conditions of the moment, economic stagnation could last many years but this, he argued, was better than a war to reactivate the economy. What we needed, he emphasized, was an effort "to focus on our understanding of the problems generated by the economic crisis and to find solutions leading to more just societies" (from my notes). It would have been difficult to predict at that point the Clintonian economic "renaissance" that followed a few years later and the effects of globalization, including the many negative ones. In any case, given the U.S. involvement in wars and aggressive politics since then and the violent world we have today, his words still echo true today: his description of the connections between economics and politics is very relevant to today's global capitalism.

In an addendum to my notes which I wrote after his talk, I added that while Paul was addressing a group at the forum there was an absolute and haunting silence in the livingroom of the farmhouse reflecting our feeling that "we were listening to the words of a wise and distinguished man who had made history" (from my notes again). Indeed, despite his seventy-five years and signs of old age, Paul continued to be a charismatic, handsome figure and a role model for left economists and non-economists assembled for the meeting and beyond.

Although it is with much sadness that we acknowledge Paul's passing, we celebrate his life, his courage, his wisdom, and the legacy he has left for all of us.

Grace Lee Boggs

I had the privilege of knowing Paul Sweezy as an exceptionally open intellectual and a very sweet human being.

Pablo González Casanova, Mexico

I just want to say what I thought when a friend of mine told me that Paul Sweezy had died. Partly in feelings and partly in words I had something of an emotional, intimate reasoning like this: One day there will be many Americans like Paul Sweezy, and America will be one of the most wonderful countries in the world. That is

what I thought. That is what I think.

Nirmal Kumar Chandra, India

One of the most admirable qualities of Sweezy as a scholar is that on every issue he began from the "first principles" of Marxism and wove his arguments in a sequence of elegant steps expressed in the simplest possible language and with a minimum of quotations from the hallowed authorities. Formally, there is a similarity between Sweezy's method and that of mathematical economists who start with a few axioms and then gradually derive some powerful conclusions about the economy...What needs to be emphasized is that Sweezy was almost obsessed by a desire for clarity so that the "intelligent layman," and not just specialists, could make up his mind about the issues at stake (*Analytical Monthly Review*, March 2004).

Ossie Davis and Ruby Dee

Paul Sweezy is one of the few thinkers we have always been able to turn to for help in our own thinking. His words are always simple, direct, profound, yet polite and user-friendly. He never overwhelms or intimidates us with his superior knowledge, but always leaves us room to breathe. The search for truth is an ongoing adventure. We are always pleased when Paul, out of the depth of his wisdom and the width of his understanding, asks Ossie and Ruby to come along on the hunt (*Monthly Review*, May 2000).

Rajani Desai, Research Unit for Political Economy in Mumbai, India

Paul M. Sweezy, one of the founding editors of *Monthly Review* and the author of such works as *The Theory of Capitalist Development*, *Monopoly Capital: An Essay on the American Economic and Social Order* (with Paul Baran) and *Stagnation and the Financial Explosion* (with Harry Magdoff), died in Larchmont, New York, on February 28, 2004. Apart from his widely-acknowledged exposition of Marx's theory and his application of it to monopoly capitalism (American in particular), it is important for us to note four other outstanding features of his life: his refusal to buckle to either repression (during the McCarthy era) or banal intellectual fashion; his steadfast anti-imperialism; his identification with people's struggles and their experiences of state power, even while maintaining his independent views on these; and his role in building a collective institution, *Monthly Review*, which embodied these values. In this endeavor, after the passing of his original coeditor Leo Huberman, he was joined by Harry Magdoff, author of *The Age of Imperialism* and many other works. With gratitude for his lifework, RUPE salutes his courage and commitment.

Doug Dowd

I first became aware of Paul when in the 1940s I read his *Theory*

of *Capitalist Development*. As a budding radical badly in need of strengthening my understanding and, at that time, finding *Das Kapital* forbidding, Paul's magnificent summation and reorganization of Marxian theory was immensely important. When MR was created in 1949, again it was as though a life preserver had been thrown to me—among thousands of others—assisting us not only to keep our spirits up because of what we could read but also, for some of us, to know that there was at least one outlet for our own ideas. In the 1950s I came to know Paul personally, when he taught at Cornell for a summer. It was then that I learned just how uniquely wonderful he was as a human being: as fully informed as one could be as to just how hellish the world had been, was, and was becoming, but never giving in; only working harder, always extending his strengths to others.

Paul was a lovely example, both politically and personally, of Gramsci's beautiful epigram: "Pessimism of the intellect; optimism of the will." We can honor him best by doing our very best to continue his efforts, and to do so with his generosity and humanity.

Barbara Ehrenreich

Paul Sweezy played an important part in my education, and not only through the pages of *Monthly Review*. In 1969 he and Harry Magdoff invited a few of us young radicals to come and talk to them about the issue our group was involved in—health care. This in itself was unusual: most older leftists at the time were a lot more interested in telling younger people what to do than in hearing about what we were already doing. But Harry and Paul listened patiently while we described the health care problems of low-income New Yorkers and our efforts to help them organize for better care. My job, for which I had carefully prepared, was to explain the broad outlines of the American health care system. It cost too much and served too few, I reported (much as I could do today, three decades later). The parts didn't fit together; people fell through the cracks or never managed to find care in the first place. In fact, I concluded, the American health system wasn't a system at all—it was a mess.

Paul's quiet response was, in so many words: Oh, but it is a system; it's just a system for doing something else. Then for the first time I could see the parts fitting together, the gears of the huge jerry-rigged structure finally meshing, the machine working just fine—grinding out profits. There was nothing conspiratorial about the vision Paul planted in my mind, just the basic insight into capitalism: The purpose, and the motive force of any industry, is profits. Health care is just a byproduct of the health system, just as, for example, food is a byproduct of agribusiness and information is a byproduct of the corporate media.

I doubt if Paul remembers this meeting, or his comments to me.

But after that, a lot of things fell into place for me, and not only about health care. I was a reformer; I began to become a socialist. Now that I am a part of an older generation myself, this incident inspired me another way: If one little comment from Paul could have affected me so much, maybe something I say or write today will have a vast and unforeseen effect on someone else, some younger version of myself (*Monthly Review*, April 2000).

Miren Etxezarreta and José Iglesias, Spain

As for many others, we think, it is very difficult to express our feelings at the death of Paul Sweezy. Sorrow and enormous gratitude and also the courage he has transmitted to all of us. We have learned so much from him, and he has contributed so much to the fight of so many people for a better world. His memory will help us to follow his fight for justice and humanity.

We had the very great pleasure of meeting him in Barcelona and in a visit to New York. Personally too, he left in us a very great impression of intellectual power, personal commitment and a very warm hospitality and friendship. It falls to us to continue his struggle.

Bill Fletcher, Jr.

Paul Sweezy must be remembered for at least two things. One, his commitment to the popularization of Marxism. The building of *Monthly Review* and the production of numerous books and articles served to reinvigorate Marxism and Marxists. Putting materials into the hands of other scholars and activists, and introducing so many leftists in the United States to theorists from other parts of the world, strengthened our awareness of an international movement for peace, justice and socialism.

Paul must also be remembered for his "optimism of the will." His commitment to the cause of socialism, in good times and bad, and the optimism that this encouraged among so many activists cannot be underestimated. Such commitment was not the commitment of a fanatic, but of a committed partisan of social justice who believed in and practiced Marxism. It is difficult to ask more of someone.

John Kenneth Galbraith

It is now seventy years since I arrived in Cambridge and at Harvard and became acquainted either then or in the years immediately following with Paul Sweezy. Ours was not academically speaking a close relationship. I was brought to teach agricultural economics, not a major preoccupation of Alan and Paul, the truly noted Sweezy brothers. Paul, especially, was by way of becoming a dominant intellectual force. His interest, like much of the department's, did not extend strongly to agriculture. This was a

prominent but also secluded sphere of knowledge, which we both considered sufficient unto itself. He was a dominant member of the department; I was not. Among other reasons, because I had no degree in economics, only agricultural economics.

In the years to come, with the Great Depression and its force, we were drawn more closely together. Paul was a friend, a model and, among the graduate fraternity, a major force. Out of a different approach to economics, a different career design and also, without doubt, an adverse sense of scholarly caution, I followed a different course of thought. It was only in those days, after knowing Paul, that I read Marx. Our friendship continued later in the war years, when we were both, age notwithstanding, accorded serious responsibilities—Paul in a wide-ranging field of wartime intelligence, I in charge of price control and rationing, an incredible courageous, even reckless appointment of FDR (I had a well developed access to the president through Eleanor Roosevelt).

The war ended and we returned to our peace time life—I, with some interrupting ventures, to Harvard and harmless instruction; Paul to a deep involvement with the economics and politics of the time. We continued in Washington, New York, and New Hampshire to meet on glowing occasions. It was less as to scholarly and political matters than as friends. That relationship suffered from distance and occupation over a lifetime but my respect and affection for Paul Sweezy endured to his death.

My purpose today is to add this word of gratitude and affection to a gathering of Paul's family and friends. I close with a line often used but never more applicable than here and now: "We shall never see his like again."

Joseph Halevi, Australia

Anyone who had known Sweezy personally was unable to ignore the fusion of his analytical strength and his unsurpassable humanism, combining simplicity and involvement. This human dimension of Paul emerged from his writings so clearly that in many Latin American countries—and elsewhere in the immense world trampled by imperialism—Sweezy generated emotions not dissimilar from those induced by Fidel Castro, Salvador Allende, and Che Guevara, while always maintaining his independence of judgment (*Il Manifesto*, March 2004, translated by Doug Dowd).

David Himmelstein and Steffie Woolhandler

We knew Paul for many years before we first met him in 1982. His work shaped our world view from the time we were teenagers. More importantly, he shaped the world—serving as a sort of intellectual guru to a generation of activists who came to be known as the New Left.

In *MR*, Paul and Leo and Harry created an extraordinary community that still endures. Our first invitation to speak at a major medical meeting came because of an article we wrote for *MR*. In 1983 Malcolm Peterson, a distinguished senior physician in a three piece suit, buttonholed us at a meeting—introducing himself as the chief of staff at the largest socialist health institution in Seattle...the Veterans Hospital—and told us he liked an article we'd written. We expected praise for a medical journal piece; he meant our first article in *MR*. Malcolm asked for a talk on national health insurance at a session he was chairing for the American College of Physicians.

In person Paul was guileless, direct, unassuming, and a bit inept socially. His pants drooped, threatening a wardrobe malfunction. At seventy-one his eyes and intellect still pierced. We were relieved to hear him say that he, like us, couldn't decipher Althusser's writing. He asked us to edit an issue of *MR* and warned us against obscure prose, as well as footnotes and other scholarly baggage. His warning haunted us as we worked, giving us the *chutzpah* to tactlessly admonish a contributor—a senior scientist and leading textbook author—"Your prose needs major revision. Each paragraph must start with a brief, clear topic sentence." The contributor graciously complied. In editing, we learned to write. Even now we feel Paul over our shoulders at the word processor, reminding us that "even complex ideas must be expressed clearly, simply, concisely."

Some years after we first met Paul, we saw him on the world stage. A Yugoslav (now Croatian) friend wangled an invitation for us to attend a week-long meeting of socialist dignitaries hosted by the Yugoslav government. The leading socialist lights were there—heavyweights from China, Cuba, the Soviet Union, Africa, Europe, and elsewhere. All deferred to Paul and Harry—for their honesty as well as their intellect. Others seemed constrained, limited by party line. Paul and Harry told the truth. At night, Beadie Magdoff stage-managed conversation around the dinner table—indicating to the chief Soviet ideologue, or the chair of the German Greens when it was their turn. Paul stole off with one of us to huddle around a shortwave and listen to the World Series—for a moment he almost seemed to pray for the Red Sox.

Ruth Hubbard

To one like me, who came of age politically in the late 1940's and the 1950's and so witnessed the birth of the national security state and the Truman/McCarthy witchhunts, Paul Sweezy was a beacon of clarity in very dark times. His own words as well as *Monthly Review*—the magazine and the press—by giving us clear and honest information and analyses, made us better able to resist and oppose U.S. manipulations and aggressions from the 1950's

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right down to the present.

Thank you, Paul. I hope you knew how much you gave to how many.

John Mage

I met Paul Sweezy in the course of obtaining tax-exempt status for Monthly Review in 1979. In later years I worked together with Paul as a member of the Board and as an officer of the Monthly Review Foundation. My memories of Paul's generosity stand alongside those of his brilliance. Paul was generous with praise for deserving work, generous with his attention and editorial skills, and generous in his critical support for those who took up the fight against imperialism. An aspect of his generosity was the refusal to answer personal attacks in kind, or indeed at all.

This quiet generosity engendered in others the support that made the Monthly Review project possible. Nine years ago the Monthly Review Foundation was faced with financial meltdown caused by accelerating losses in the MR Press, and the Board asked for counsel from the two wisest friends we knew with experience in the business world. They reported to us that the Press was commercially impossible and should be wound up. Paul's response: "Of course as a business matter the Press makes no sense, that's why we have to do it." I know of no tax-exempt enterprise that solicited funds with letters like Paul's. A reasoned, elegant page or two setting out the most significant processes at work in the world followed by a single sentence suggesting a contribution. Our friends always responded with the same intelligent generosity Paul both demonstrated and assumed in others. Paul radiated a calm clear passion for understanding and for revolutionary justice; its light continues.

István Mészáros, England

Paul Sweezy's lifework speaks richly for itself. On the present occasion I only wish to contribute a "snapshot" by reporting the main points of a letter I received from Paul many years ago. For this moving letter clearly shows that his profound insight into the complicated and often bewildering trends of our society's development was inseparable from the concern and dedication with which he applied his overall guiding principle—the need for a viable global socialist transformation—to the evaluation of the events and changing situations of his days.

He wrote this letter, unusually by hand, on October 21, 1987, "in Yugoslavia (in a small village near Dubrovnik named Cavtat) where an annual roundtable, 'Socialism in the World,' is being held, attended by some two to three hundred socialists of all stripes and varieties from all points of the compass, North, South, East and West. What one observes here strongly confirms...that the crisis we

are living through is *not* a crisis of Marxism but rather a crisis of capitalism and of the movements and parties that are to one degree or another opposed to capitalism." Tellingly, in a relatively short time after Paul's letter from Cavtat, all such roundtable meetings "from all points of the compass" on "Socialism in the World" came to an end, as a result of the crisis among "all stripes and varieties" of earlier self-professed socialists, as Paul sharply perceived already at the 1987 gathering at Cavtat.

His letter went on describing the nature of the great historical crisis of our time and the challenge we must face. This is what he wrote: "No precise dating of historical turning points is possible, but I think it is not misleading to think of this crisis as having begun with the collapse of 1929-33. The global capitalist system was given a temporary new lease on life by World War II which set the stage for a quarter-century-long boom under American hegemony. But the underlying forces at work were still there, indeed in intensified form, and rose to the surface in the '70s and '80s as the war and postwar wave of expansion subsided. By now the capital accumulation process which is and always has been the ultimate driving force of capitalist development has settled into a profound rut of stagnation from which it could be rescued only by another orgy of violence and destruction comparable to WW I and WW II—in other words by WW III. But the irony—and at the same time the essential novelty—of the present situation is that WW III, in performing its cathartic and rejuvenating function for the capital accumulation process, would almost certainly bring an end to civilized society as we have known it for the whole period of recorded history. In other words, it would destroy capitalism itself and hence also the possibility of a civilized successor society. This does not mean that WW III is impossible, only that it lies outside the bounds of rational discourse. What we can meaningfully think about is a future without WW III, hence also—and this of course is the crux of the matter—a future for a very long time to come of deepening and irreversible capitalist crisis."

Naturally, this grave—but totally realistic—diagnosis of the situation could not mean for Paul the slightest weakening in his view of how to confront the historical challenge of a magnitude never before faced by humanity, in that it projected the potential extermination of the human species. Nor was it feasible at all, as far as Paul Sweezy was concerned, to adopt the position of many who once upon a time called themselves socialists of one stripe or another. Namely, that the right way to proceed must be to accommodate oneself to capital's existing and ever intensifying destructive constraints, instead of meeting them head-on. For such a strategy of "rational" accommodation could only multiply the

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dangers, bringing with them nothing short of the triumph of all-engulfing irrationality and the concomitant absolute disaster at the end of the road.

Talking about the grave new challenge and its only feasible solution Paul wrote: "In my opinion, this is *par excellence* a Marxist problem. And I think it has a quintessentially Marxist solution: uninterrupted revolution....A most unfortunate aspect of the present situation, it seems to me (and I am reinforced in this view by what I observe here in this assemblage of socialists from all over the globe), is that very few (if any) Marxists see the problem or the challenge in this light. Most of them seem to think, or perhaps take for granted, that capitalism will sooner or later emerge from this crisis, either spontaneously or through reformist political pressure, as it has from past crises. To the extent that this is so, it is difficult if not impossible to discuss how to go about meeting this greatest theoretical and practical challenge."

The seventeen years that have gone by since Paul wrote this letter have fully confirmed his diagnosis in every detail, together with the validity of his radical socialist passion. Nearly two decades could offer nothing whatsoever as a way out of the capitalist crisis of accumulation, despite all reformist fantasies about the "long wave of upswing" which was supposed to follow, as day follows night, the "negative long wave." We find ourselves in the midst of a deepening and irreversible capitalist crisis, not only facing the more or less remote prospect of another orgy of violence and destruction but already experiencing its devastations in different parts of the world. Thus the powerful message of Paul's letter speaks to all of us.

We have known for some time that Paul was gravely ill. But even so, when the news of his death came, it was a hard blow to take, bringing with it great sadness.

And yet, the sadness must leave its place to a very different feeling. For Paul's example inspires us, and indeed invites us, to celebrate with joy a truly fulfilled life: a life dedicated to the very end to the service of our socialist future.

Philip Morrison

Dear friends and fellows of the long march towards a better world than our present war-threatened and money-baited one:

I recall the fine old *MR* that came from Paul and his partners. Indeed I became a writer in that well-argued journal. I found the voice to write a small essay—a column—for several months of its early years, adding an essay—call it a column—to complete its account of a better society to come by my own strongly felt sense that science as it went ahead was needed to complement the wider aims of *MR*. I sent in a few essays touching on current examples

simply described, hoping that my views on nuclear weapons, for instance, could serve to reinforce the longer and deeper views of MR about a new social order. Paul was willing, and I recall one piece on the first thermonuclear weapon test, taking off from the fact that it had produced brand new elements not yet known to the chemists, in the fallout of this Pacific test of a true threat to each and every city in the world. We could be safe only if those early weapon versions could be limited by a peaceable agreement among nations, and not left open to the will of the most powerful and reckless adventurers. Paul agreed, and I mixed my hopes in science manageable by a new social order in a world of enormous power shift.

I am still in the same frame of mind, just as in MR all those decades ago. Thanks to Paul in memory.

I HOPE STILL FOR THE BEST.

Margarita Papandreou, Greece

Monthly Review has a legacy of excellence, so it will continue on this path but with the loss of Paul Sweezy, it will never be the same. Paul, who was a friend of mine and my husband, Andreas Papandreou (they taught around the same time at Harvard), was the most committed, clear-sighted and articulate proponent of socialism I have ever known. Reading Paul's pieces in the *Review* helped me form my own political philosophy. I became a subscriber while in university and am possibly one of the oldest subscribers you have. I share your sadness at his loss and regret deeply that we will no longer hear his voice on the world scene.

Leo Panitch, Canada

Given the close association between the *Socialist Register* and *Monthly Review* for the past 40 years, I appreciate the opportunity to extend my condolences, and those of Colin Leys and all those who work with us on the *Register*, to Zirel and the rest of Paul's family—and also to his wider political family around MR. As Harry Magdoff wrote to me in response to my personal note of condolence to him, Paul's death "lies heavy on the heart."

John Kenneth Galbraith once called Paul Sweezy the "most noted American Marxist scholar" of the second half of the twentieth century. Paul's brilliant and original contributions to economic theory and history led Marxism in new and important directions, and his deep analyses of the nature and contradictions of modern American capitalism influenced successive generations of radical economists, both academic and lay. But no less important was the tremendous creativity, courage and commitment with which Paul defended and practiced the role of the Marxist public intellectual in a country which for so long did everything to make this difficult if

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not impossible.

For all this, Paul Sweezy became a beacon for the left across North America and around the world, and he made *Monthly Review* into one too. Shortly after his death I received a note from an acquaintance in Australia that said: "Sorry to hear of the death of Paul Sweezy. I never met or saw him, but I expect you knew him rather well. End of an era." I had received similar notes when the founding editor of the *Socialist Register*, Ralph Miliband, died almost exactly a decade ago. But I prefer not to think of the death of these giant socialist intellectuals as marking the end of an era. The path they trod in renewing Marxism and in creating the space for Marxist intellectuals to be heard has not reached an end. It falls to us to keep moving along the path they cleared towards the new horizons they strove to make visible.

Prabhat Patnaik, India

Someone once remarked that while Sweezy's *The Theory of Capitalist Development* was the most significant work on the left produced in America in the decade of the 1940s, Paul Baran's *The Political Economy of Growth* was the most significant work on the left produced in America in the decade of the 1950s, and Baran and Sweezy's *Monopoly Capital* was the most significant work on the left produced in America in the decade of the 1960s. *Monopoly Capital*, dedicated to Che, took ten years to write and Baran passed away before it was published. Sweezy not only brought out the joint work, but lectured widely to spread the central message of the book. When he was invited to deliver the prestigious Marshall lectures at Cambridge University, U.K., the theme he chose was "The Theory of Monopoly Capitalism."

After the program of two lectures was over at Cambridge, there was the official reception, at which Joan Robinson happened to be discussing the lectures with a group of people that included me. She ended the discussion by saying: "I disagree with Paul on several issues, but he is a real saint." The term may appear odd being applied to a Marxist, but what stood out about Paul Sweezy, in addition to his brilliance, his intellectual caliber and his profound commitment to the cause of socialism, was a nobility of character that is indeed extremely rare to find (*Frontline*, March 13-26, 2004).

Annette Rubinstein

At the end of a meeting a woman once said to Thomas Huxley's son, "I don't see why they call him a great speaker, he purposely makes everything clear." This came to mind when I first read Paul Sweezy in *Monthly Review* long before meeting him. A style so fine it became perfectly invisible, extraordinary anywhere but almost unique in the dismal science.

After we met I was equally impressed by the unusual way in which he listened. Whether he agreed or objected, the full force of his attention was always concentrated on what was being said and often his reply would reveal new depths to the question.

Paul was two days older than I and he always insisted on being treated with great respect for those two days. He would have been embarrassed had I tried to tell him how deeply I respected him all year round so, to my great regret, I never before did.

Pete Seeger

I was a student at Harvard when Paul was an instructor there. What a long and glorious life he's had teaching us all (*Monthly Review*, April 2000).

John J. Simon

One of the remarkable things about Paul was his ability to use analysis, argument, even exhortation, to teach—by which I mean not simply to offer facts—but insights and perceptiveness to connect the subject at hand to historical context. Just fifty years ago this winter, I invited Paul up to Bard College in the Hudson Valley to speak to a small student political group. I picked him up at the MR office in Manhattan, and we drove north, into a blinding blizzard. We were sliding all over the road, and my increasingly fretful passenger asked me to pull over and replaced me behind the wheel, saying “now I’m going to demonstrate scientific snow driving; it’s not much different from scientific socialism.” Paul proceeded to show how to regain control by driving into our skids and then connected the driving technique to his method of finding the weakest link in a whole line of logical or historical developments and using that to construct the most radical critique of established orthodoxies. By “weakest link” he meant, he said: assume nothing, search for the troublesome, the problematic, and deal with them. Paul always made his case this way, avoiding the facile, the reductionist, yet making his point with simplicity and clarity.

Soon we arrived at the college and the automotive lecture was over. I remember that on a snowy night, in the face of the McCarthyite gloom of the time, Paul dazzled, but more important, he *moved* his small audience. They left with new insight and new energy, perhaps were even startled into acknowledging what Paul was not ashamed to call his “faith” in the socialist project. Whenever I see people who were at Bard that evening they remember Paul and that talk. And I remember how he gave us new ways of seeing: insights and techniques that remain habit to this day.

Jeanne Singer, France

The first time I met Paul was in the early 1970s, when Daniel and I went to *Monthly Review* to thank him for the kind blurb he

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had written for Daniel's first book. I remember meeting a very kind looking American gentleman with blond hair and blue eyes sitting at a desk across from a big strong smiling man, like a bear, who was smoking a pipe: Harry Magdoff. It was the beginning of a friendship which, with the passing of the time, grew deeper and included his wife Zirel and his children, especially Lybess. For us, coming from Europe, Paul was known as the American Marxist who had written a thoughtful and original analysis of monopoly capital.

I remember many MR lunches where we met so many MR friends coming from all over the world, who each described the situation in their country. Paul would listen patiently and carefully, intervening rarely, but making little comments which would clarify an issue.

I remember some lectures I had the privilege of attending where Paul, speaking in a slow and deliberate manner, would make clear to the audience some very deep analysis of the system, and some difficult problems of the "dismal science," as Carlyle used to dub economics.

I remember one Socialist Scholars Conference where Paul and Percy Brazil would make bets on how many times Daniel would quote Rosa Luxemburg in his speeches.

I also remember that the conference used to be in April, and together with many friends we would have a dinner and have a big cake to celebrate Paul's birthday.

I remember once when we were at a conference in Cavtat in October 1987, and there was a big stock market crash. This created a frenzy in New York, and television stations and newspapers were trying to get in touch with Paul asking him to explain why it had happened and what could be done to prevent it getting worse.

I remember Rome when the RAI, the Italian television, had flown Paul over for an interview and Paul had generously spent most of his fees inviting Daniel and I with several friends of *Il Manifesto* for a dinner in piazza di Santa Maria in Trastevere.

I remember holidays organized by Gladys and Percy Brazil in Puerto Vallarta, Mexico, with Zirel and Paul, Bd and Harry, Joan and Bill DeWind, and Daniel and myself, and we would sit around discussing plans for *Monthly Review* and some problems of the world, and Paul with his gentle sense of humor would make fun of us for talking about the revolution in such luxurious surroundings.

I remember, I remember, I remember...so many memories.

As Daniel wrote for Paul's ninetieth birthday, Paul was "the living proof that, even in the very heart of imperialism, it was possible to resist and to stick to one's principles." I will finish with what a friend said about Daniel at his funeral in Paris, that "he belonged to the aristocracy of the intellect which is the only

aristocracy worthwhile, along with that of the revolution." I believe that Paul was in the first row.

Professor Frank Stilwell, on behalf of the Political Economy faculty at the University of Sydney, Australia

It is with great sadness that the political economy faculty at the University of Sydney have learned of the death of Paul Sweezy. For over a quarter of a century we have been presenting courses at this university that draw on Paul's seminal contributions to political economy, along with other critical currents in political economic analysis. Our reading lists have commonly featured his books and articles, along with other material from *Monthly Review* and Monthly Review Press which Paul developed to give the widest possible circulation to critical analyses of contemporary capitalism. We present the Paul Sweezy Prize, which Paul agreed to have named in his honor, annually to our top third-year undergraduate student.

For over half a century Paul has been a magnificent contributor to the further development and application of contemporary Marxist thought. I have three times nominated him for a Nobel Prize in Economic Science, although without any expectation that someone of his political persuasion would actually be awarded the prize. He has surely been the leading Marxist economist of his era. Let us hope, and work toward ensuring, that his legacy of radical thought is vibrant and effective.

Alice Thorner, France

Somewhat at loose ends since he was waiting to be called up in the draft, Paul was staying in 1942/43 across the street from Daniel's and my house with Bob and Helen Lamb. Bob had just returned to Washington after a long stint with the struggle of the Salinas (California) lettuce workers. It was typical of Paul's selflessness that, although he eventually served as an officer, he originally joined the army as a buck private.

In the heady postwar years, men and women of good will wanted to believe that by defeating fascism we had saved the world for democracy and social justice. For his part, Paul realized that theoretical clarity would be essential for the long fight ahead. Working toward this goal became the center of his whole existence. The *MR* which he, together with gifted educator Leo Huberman, conceived and created grew slowly from a modest start, but stayed the course steadily.

Over the years *MR* printed not only serious articles by qualified economists and political analysts but many simple, straight-forward accounts based on the experiences of trade unionists, black militants, civil rights campaigners, and prisoners. The Review of the Month and the inside cover notes were skillfully prepared to be

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read with ease and speed. A tongue-in-cheek article by Martin Bronfenbrenner captured the mood of the McCarthy years by claiming that to be identified as a Marxist in an economics department of a U.S. university was the equivalent of "coming out of the closet" as a gay. Having come to *MR* as an expert in the publishing field, Harry Brayerman produced his fundamental study on the changing nature of labor. As years went by, and to some extent as a result of a determined campaign by Assistant Editor Bobbye Ortiz, the scope of the journal and of the *MR* Press broadened to include literature, other cultural topics, and women's issues.

Paul was also a good companion with whom one enjoyed life. The weekly brown-bag lunches in *MR*'s successive inelegant headquarters could be counted upon for stimulating discussion. They doubled as occasions for jokes and general good humor. At one end of the table presided the tiny exquisite figure of Annette Rubinstein. Paul and Harry Magdoff took their places somewhere in the middle. The ebullient Beadie spent most of the meal on her feet, generously distributing apples and mugs of hot coffee to the crowd of New York friends and visitors from everywhere on the face of the globe. I can remember a South African couple indignant about the economic policies of the post-apartheid government, a young *passionara* just returned from post-Shah Teheran, who tried to persuade us that covering one's head with a veil represented an expression of liberty for Iranian women students, and a suburban high school class brought by their teacher to exchange views with the editors. They did not seem to have developed many original thoughts, but Paul and Harry treated them respectfully.

Appreciation for Paul's high-quality hard-hitting books and articles as well as for his unfailing left-wing loyalty was by no means limited to North and South America, areas on which his own interest focused. An India version of *MR* comes out in West Bengal. It was a leading Calcutta economist, Nirmal Chandra, who first informed me that Paul had died. In an e-mail from Trivandrum (Kerala) Dr K. Saradmoni, an active economist/sociologist/feminist who writes in both English and Malayali, says "this earth was fortunate to have a person like Sweezy who lived, worked, and inspired so many others. Maybe the present generations may not easily understand what it means to give up personal gain for a cause, and to live up to one's convictions."

Shigeto Tsuru, Japan

Paul: in your "sacred decade of twenties" (Schumpeter's stock phrase), you were the kingpin in the Golden Era of the Harvard Economics Department in the 1930s. You digested the Keynesian Revolution of 1936 critically and made it an intermediate step

forward formulating your own tools and methods of analysis in the field of political economy, systematically embodied in your classical work *The Theory of Capitalist Development*.

You left Harvard in the early postwar years; and the loss for Harvard was a gain for the U.S. reading public in the form of access to the valiant publication of "an independent socialist magazine": *Monthly Review*. It is impossible to write a history of journalism in the United States in the latter half of the twentieth century without mentioning the antidote effect of the lucid, penetrating analysis of contemporary events in *MR*. I believe that "to consider the problem of the present as a historical problem" (Georg Lukacs) has consistently been the singular strength of your writings.

Living in Japan normally, I have not had frequent enough occasions to be with you. But the most memorable was the meeting in the Three Crown restaurant in New York on June 17, 1957—the first day the Supreme Court voted in your favor, as you invoked the First Amendment in your refusal to the questioning in the New Hampshire hearing. We celebrated with Rhine white wine, together with Leo Huberman—you remember! (*Monthly Review*, April 2000).

Immanuel Wallerstein

Through the whole second half of the twentieth century, Paul Sweezy has stood for one thing unflinchingly: a combination of sober, uncompromising analysis of the realities of the political economy of the world-system with a commitment to socialist transformation, without toeing anybody's party line. He showed that one could be on the left, and effectively, and still be consistently intellectually honest. It was a rare achievement that will continue to inspire us all.

Howard Zinn

Paul Sweezy was an important part of my growing up politically. As a young man, becoming interested in the ideas of Karl Marx, I read his *Theory of Capitalist Development* and it brought Marxian political economy alive for me. After World War II, I found the book he and Paul Baran wrote together, *Monopoly Capital*, a brilliant adaptation of Marxian theory to the specific situation in the post-war United States. The *Monthly Review*, which he edited for so long, brought refreshingly unorthodox ideas into the socialist milieu. Paul Sweezy matched his personal life to his ideas, in his defiance of Cold War hysteria, risking prison, and making an important statement for freedom of expression. He will be long remembered for his scholarship, but also for keeping alive the idea of socialism in difficult times. He was a great and noble human being.



Paul Sweezy in Cuba, 1960

Commentary from _____
Monthly Review
October 2004, Vol.56, No.5

Editors : HARRY MAGDOFF, JOHN BELLAMY FOSTER,
Founding Editors : LEO HUBERMAN (1903-1968) and
PAUL M. SWEETZ (1910-2004)

For more than a decade now the major corporate media and the U.S. government have been celebrating the growing "democratization" of Latin America. Rather than reflecting a genuine concern with democracy, however, this was meant to symbolize the defeat of various revolutionary movements, particularly in Central America in the 1980s and early '90s. To the extent that formal, limited democracy actually made gains in the region this was viewed by the ruling powers in the United States as a means of institutionalizing and legitimizing structures of extreme inequality in line with the ends of the American empire.

It is not surprising then that with the appearance of a real democratic upsurge in Venezuela—where an elected government has dedicated itself to practical improvements in food availability, health, education, and working conditions for the mass of the population—this has been greeted by Washington and the U.S. corporate leadership not as a further instance of democratization but as pointing to the dangers of populist dictatorship (see the *Wall Street Journal*, August 18, 2004).

The recall referendum that took place on August 15 in Venezuela resulted in a resounding victory for President Hugo Chavez, who received about 60 percent of the vote. There is no mystery about the basis of Chavez's popular support. Billions of dollars of oil revenue formerly monopolized by the rich are being diverted to the Venezuelan poor and working classes. Educational programs are promoting literacy among populations that had few previous educational opportunities, including some 250,000 children whose social status would previously have prevented them from receiving any schooling. Health care facilities are being rapidly expanded in poor areas where thousands of neighborhood clinics have been established, staffed by 10,000 Cuban doctors, plus numerous Cuban dentists and therapists. Programs providing free food to the needy exist almost everywhere.

These social programs, which are revolutionary in nature, have given Venezuela's Bolivarian Revolution a solid base among the disadvantaged. The fact that Chavez, who was elected president in 1998 and reelected under the new constitution in 2000, had the support of a majority of the Venezuelan population was never really in doubt. What was in doubt was whether the 75 percent of Venezuela's population living below the

poverty line (the result of the whole history of exploitation in Venezuela) could be mobilized sufficiently to defend his Bolivarian Revolution in the face of a recall referendum promoted by the Venezuelan rich and middle classes with the support of the United States. The entire private media system, controlled by the well-to-do, propagandized day after day that Chavez was a dictator and should be removed from power. In most instances media control of this kind, coupled with a lack of effective mobilization among the poor and U.S. financing of pro-imperialist parties, would have made it possible for the wealthy to control the mechanisms of formal democracy in order to create an undemocratic reality.

But Venezuela in August has shown that it is possible for democracy to prevail even in the face of such blatant imperialism and class struggle from above. As *MR* author Michael Lebowitz, who is currently living in Venezuela, wrote in a letter to a family member immediately after the vote (we quote with his permission):

It was incredibly inspiring visiting the barrios on the days before the referendum. Chavez, completely frustrated with the parties supporting him, had called upon the people to organize themselves into patrols to organize their neighbors....And, they responded incredibly—very unevenly to be sure—in barrios, workplaces, missions, etc....Chavez had said, wake up early, get to the polls....At 3 A.M. people in the barrios woke up to trumpets blaring. The polls opened at 6 A.M. and the lines were already immense [news reports indicated lines a mile or more in length, with lines still stretching half a mile in the afternoon—*Eds.*] They were supposed to finish at 4 P.M. but it was soon extended to 8 P.M., and then by 6 they extended it to 12 midnight, saying anyone then there could vote. Lots of people waited 10 hours to vote—the international observers (including Jimmy Carter's Carter Commission, which does this all the time) said they had never seen anything like it.

Despite the enormous lines and the long wait some 73 percent of eligible voters cast their ballots in the recall referendum.

As a concrete instance of democracy in practice the events in Venezuela have few parallels. Yet none of this has led to a celebration of Venezuelan democracy in the main organs of power in the United States. Quite the contrary, the reaction from the powers that be at the apex of the American empire was one of dismay. This was the third major victory that the Venezuelan people have won over the American empire in two years—the first was the reversal of the April 2002 coup supported by the United States, the second was the defeat of the winter 2002–03 oil industry shutdown and general lockout, which had Washington's backing.

We congratulate the Venezuelan people on their democratic (as well as humanitarian and socialist) accomplishments and look forward to publishing an article on these events in our next issue.

~

In August *MR* author Martha Gimenez received the Lifetime Achievement Award from the Marxist Section of the American

Sociological Association. Congratulations Martha! At the same meeting the Marxist Section voted to rename their annual book award the Paul M. Sweezy Book Award. We at MR are pleased to acknowledge both of these awards and the continuing efforts of those involved in the Marxist Section of the ASA (many of whom are MR readers and supporters) in promoting Marxian analysis in the United States. In this context we would like to note that Kevin Anderson, who has recently stepped down as chair of the Marxist Section, is coeditor of the new Monthly Review Press book, *The Rosa Luxemburg Reader*.



The Tamiment Institute, an archival library of labor and radical research materials, is making available the papers of Sally Belfrage, a longtime friend and reader of *Monthly Review* who died in 1994. Belfrage wrote numerous books on the personal side of some of the important political events of her time, including life in the USSR in the 1950s, the civil rights struggles of the 1960s, and the antinuclear and Irish freedom movements in Britain in the 1970s and '80s. She was the daughter of Cedric Belfrage, a frequent contributor to MR and a founding editor of the *National Guardian*. Her papers have joined his at Tamiment, which will hold an opening reception at NYU's Bobst Library, 70 Washington Square South on October 12 at 6 P.M. Space is quite limited, so if you wish to attend please RSVP to Peter Filardo at 212-998-2639 or by e-mail to peter.filardo@nyu.edu.



In publishing last month's Review of the Month, entitled "The American Empire: Pax Americana or Pox Americana?," we omitted mention of the fact that this was the preface to John Bellamy Foster and Robert W. McChesney, eds., *Pox Americana: Exposing the American Empire*, recently published by Monthly Review Press. The book contains essays from the July-August 2003 special issue of MR on "Imperialism Today" as well as other articles from the magazine and some new material. Those who found the September ROM intriguing will want to look at the book.

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(continued from inside back cover)

Mil7 helicopters...(which) can carry 10-16 personnel each...We will use the helicopters for surveillance and intelligence gathering on Naxalites holed up in jungles. We may drop a few para-commandos if we spot extremists" (*The Hindustan Times*, March 17, 2004). In addition, AP has given an assurance that 153 companies of central paramilitary forces would be made available for a major offensive. In fact all the nine states which are affected by so-called Left Wing Extremism are raising special forces along the lines of 17,000 strong Greyhounds of AP. Jharkhand is recruiting 8,000 policemen who will receive special training from army personnel for two months. In the 14th meeting of the coordination centre on March 19, 2004 "it was decided to deploy 23 battalions of CRPF on long-term basis (three-five years) in naxal affected areas". Besides providing "100 per cent reimbursement of the initial expenditure up to Rs 13 crore incurred on raising of 1 India Reserve (IR) battalion" the MHA "has drawn up a programme for training of the State Police Forces in the 'Greyhounds' training centre in Andhra Pradesh and the CPF run centres of excellence" Even left ruled West Bengal is not lagging behind. 'Special operations' began against the Naxalites in three south-western districts of West Bengal (Midnapore, Purulia and Bankura) in which four companies of BSF, two companies of the CRPF and 350 personnel of Eastern Frontier Rifles are participating. The state government also asked for 12 more companies of the CPMF while it is raising a special commando force to be stationed at Salua in West Midnapore for anti-Naxal operations. Kashmir is another region where no-one questions the massive deployment of troops. If we take India as a whole, it is fair to say that more than fifty percent of the troops are deployed for internal security. The growth of manpower in Central paramilitary forces is astonishing, from 5,68,630 in 1999 to 6,71,586 in 2004. The effect of this deployment on the communities in which it is concentrated is told in the many reports of lawless abuse, verging on state terror.

This process of internal militarisation is an inevitable aspect of the adoption of neo-liberal policies by the Indian ruling classes. The polarisation that is the necessary component of neoliberal "reforms" is being imposed upon the unresolved problems of the backwardness of the Indian society. For the majority, already on the verge of indigence, further reductions in consumption in absolute terms are combined with taunting displays of "Shining India" affluence by the privileged "globalised" minority. Protest movements in these circumstances must be expected, both of an irrational communal and of rational and Marxist inspiration. The military is being turned to face these movements. It has been done before; these forces played an important role in crushing the workers' movements of the 1974 Rail Strike and the Port & Dock Workers' strike.

"National Security" is a fabricated myth. No sensible person could doubt that the expenditure of the increased military estimate on pro-poor initiatives would infinitely better serve the National Interest—even the National Security interest. The vast increases in military estimates that dwarf the paltry rural development budget display the basic nature of the regime, and as well its fundamental continuity with its BJP predecessor.

(continued from inside front cover)

increase in allocations for the military is seventy percent of the total allocation for rural development. According to the finance minister, the increase of Rs.11,000 crore between the budget estimates of 2003-04 and 2004-05 for the ministry of defence is the fulfillment of a promise in the Common Minimum Programme. The Prime Minister endorsed this view, saying that "the defence expenditure had been neglected in the last three to four years and we are committed to making good that deficiency. This is investing in national security which I think we must honour". But the facts of the four or five last years tell a different story. The defence allocation revised estimate for 2000-01 was Rs.54,500 crore and Rs.42,500 crore in 1999-00. So, in the last five years from 1999 to 2004 there was an increase of 53.6 percent in defence expenditure allocation.

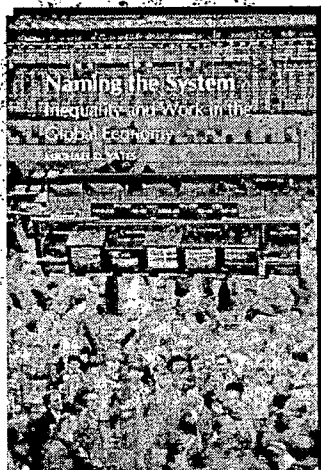
On the other hand, while the rank of India in the United Nations' human development index ('HDI') has gone down to 127 in 2004 from 115 in 2001, it has gone up quite a bit in the military expenditure ranking. India has acquired a position among the first 10 countries in 2003 while its ranking was 13 in 2000. This year India may be included in the first five with regard to military expenditure. In PPP (purchasing power parity) dollar terms India was already third in the world in total military expenditure in 2004. All the other top 10 countries in military expenditure, except China, are developed capitalist nations and their HDI positions are at the top of the list. The case of India is somewhat the reverse, while it is going up with respect to military expenditure it is being pushed toward the bottom of the HDI ranking. And if we follow the Stockholm International Peace Research Institute (SIPRI) definition of military budget (which also includes the paramilitary forces), then this year Rs.1,01,128 crore has been allocated for the military.

If perception of external threats is thought to be the determining factor for this huge allocation then we are faced with something of a paradox. Presently, the Indo-Pak dialogue has resumed and the Sino-Indian border talks are on, and so it seems there is no immediate threat of external war. Compared with recent years international tension has unquestionably eased.

But if we were to see this vast increase in military expenditures as a result of a tacit perception of internal threats we would be approaching the truth. According to the annual report of Ministry of Home Affairs for 2003-04 "Pak-sponsored cross-border terrorism in Jammu and Kashmir, insurgency-related violence in some north-eastern states, violence perpetrated by Naxalite elements in Andhra Pradesh, Bihar, Chhattisgarh and Jharkhand and sporadic ethnic/communal/caste violence in certain parts of the country continued to remain areas of concern". Though the data on actual deployment of troops throughout India remains unknown, we can see the tip of the iceberg. Reports on events in Manipur show that there are 13 battalions of Assam Rifles, two brigades of the army, eight battalions of CRPF, 10 battalions of Manipur Rifles, and four battalions of India Reserve force stationed there. With a population of 2.4 million, as per the 2001 census, and covering an area of 22,327 sq km this deployment is huge. In March 2004 the director general of police of Andhra Pradesh announced that the central government "has promised to give Mi8 and

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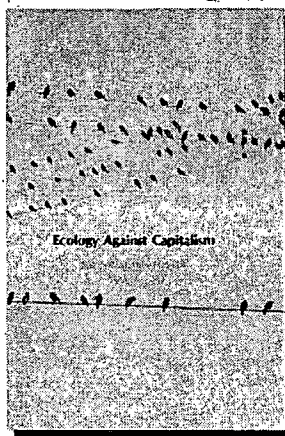
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RISE OF FASCISM
IN GERMANY, 1919-1945**
edited by
Michael N. Dobkowski & Isidor Wallimann



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Editorial

In response to a question in parliament on 5th December, 2001, regarding the opening of an FBI office in New Delhi, the then External Affairs Minister, Jaswant Sinha, said: "The decision was taken in the context of growing Indo-U.S. bilateral co-operation on counter-terrorism. While the necessary mechanism to counter terrorism was already in place with the Extradition Treaty and the Joint Working Group on Counter-terrorism, the Legal Attache Office is meant to enable more effective co-ordination between Indian and U.S. law enforcement agencies. It is also expected to signal greater commonality of interests in the fight against terrorism, which will in turn exert pressure on terrorist groups." Early in October 2004 the U.S. Ambassador in India, David Mulford, wrote letters to the chief ministers of Assam and Nagaland states offering the FBI's "help" in the investigation of a string of recent bomb blasts. When an official spokesperson in New Delhi tried to play down the resulting controversy by saying that Mulford's letter was part of ongoing co-operation between the two countries on counter-terrorism, he was absolutely correct. The U.S. security agencies have had a presence in India since 1962 - they have helped to establish, equip and train specialised agencies like the Aviation Research Centre, the Special Service Bureau, the Special Frontier Force and the Indo-Tibetan Border Police. The extent of their intervention in India has been expanded, but Mulford's letter represented no break in policy.

(continued on inside back cover)

Ecology, Capitalism, and the Socialization of Nature

JOHN BELLAMY FOSTER INTERVIEWED BY DENNIS SORON

The Failure of Global Environmental Reform

DENNIS SORON: Many environmentalists came away from the Rio Earth Summit in 1992 with a great deal of optimism, believing that the cause of global environmental reform had finally been seriously placed on the political agenda. Today, with environmental conditions continuing to worsen and governments refusing to take effective action, it seems that little of this optimism remains. Why did the hopes spawned at Rio turn out to be so misplaced?

JOHN BELLAMY FOSTER: The optimism coming out of Rio was misplaced largely because environmental groups were not really contemplating the economic forces arrayed against them or considering how fundamentally the capitalist economic system is geared toward environmental degradation.

Over the past decade, we have seen the rapid expansion of a neoliberal trade and investment regime that has undermined the possibility of meaningful environmental reform. At the time of Rio, it should be recalled, the Uruguay Round of the GATT negotiations was underway. Out of these negotiations came the formation of the WTO, an organization that has really centralized a lot of international economic decision making and signaled that environmental regulations globally were going to go by the board. The WTO, as well as NAFTA, the IMF, the World Bank, and other neoliberal institutions, have made it abundantly clear that economic growth, at virtually any social or environmental cost, is their number

This interview was conducted by phone in January 2004. It appeared in August 2004 on *Aurora Online—Interviews with Leading Thinkers and Writers*, <http://aurora.icaap.org>. It is printed here with only minor modifications.

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one priority.

Other developments in recent years have also become flashpoints for the growing sense of pessimism in the environmental community—the U.S. withdrawal from the Kyoto Protocol, for instance, and the Bush administration's intransigent position on issues such as biological diversity, biotechnology, control of germ plasm, and so on. We need to remember, however, that while the U.S. has been acting unilaterally in many ways, it has not been alone in refusing seriously to address global warming and other environmental problems. The dynamics of the global economic system now dictate that there is a lot of reluctance right across the board among the major capitalist states in terms of taking effective environmental action.

By the time we arrived at the Johannesburg summit ten years after Rio, the overwhelming sense among environmental groups was that we had been losing ground on the environment and that the negotiations weren't going to accomplish anything at all. And they didn't. However dispiriting the loss of optimism may have been, the pessimism coming out of Johannesburg was in some ways actually a more realistic response to the nature of the problems we're now facing. The Intergovernmental Panel on Climate Change, for instance, has recently declared that their earlier estimates of what could happen were too conservative, and that the possibility of a really big jolt to the world environment and to all life on the planet is much greater than they first thought. The signs all point to a mounting environmental crisis, and yet very little is being done politically to deal with it.

DS: In light of this kind of political inertia, do environmental groups need to reassess their current strategies for promoting change?

JBF: I think so. As you know, I've recently been quite critical of the strategies adopted by some groups. Take the example of the International Forum on Globalization and other similar organizations, which are very good and very progressive in many respects. In some of their recent reports, however, their main policy prescription is to "green" the World Bank, the WTO, and so on—that is, to somehow make these institutions "greener" and more environmentally friendly.

I think that this approach is completely ludicrous. These institutions are controlled primarily by capital, and their basic nature is not going to change. They are merely instruments of other powerful forces that need to be addressed. The whole purpose of the WTO, for instance, is to expand global capital accumulation,

primarily to the benefit of the richest countries, by removing barriers to the international mobility of capital, eliminating state subsidies and regulations, and basically applying neoliberal prescriptions everywhere. To this extent, there is no way that it can be “greened” in some way or turned into an environmental organization.

To move forward, we need to be not only a lot more organized, but more realistic about the forces we’re up against, and more willing to address the larger economic issues at the heart of today’s environmental crisis. Most of all, the environmental movement needs to stop believing that simply talking to elite groups will somehow lead to a compromise that will save the environment. For the powers that be, the primary goal of “sustainable development” has come to be that of sustaining development—that is, sustaining economic development in the rich countries and sustaining the process of capital accumulation. There is no basis for a compromise with that kind of institutional reality.

Ecology Against Capitalism

DS: Unlike some fellow radical ecologists, who have tended to portray “modernity” or “industrialism” as the primary causes of environmental destruction, you’ve made a strong argument for the need to anchor ecological theory and practice in a systemic critique of capitalism. Could you elaborate on this point?

JBF: First of all, it is a simple and unavoidable fact that capitalism is the actual social system in which we live, and that our primary way of designating and understanding that system is to see it as capitalist. For a very long time now, social scientists from different disciplines and from across the political spectrum have agreed on this and have shared a basic understanding of how the system works.

In progressive circles, of course, people continue to debate about whether they should “name the system” or not, because sometimes it seems too radical or too grandiose to claim that capitalism itself is to blame for the problems we face. In contrast, the establishment shows no such reluctance to “name” capitalism. *Fortune* magazine and *Business Week* explicitly praise the virtues of capitalism all the time. Whatever approach one adopts, however, there is still very little doubt about what our social system actually is.

With respect to “industrialism,” we need to remember that capitalism was destructive of the environment on a global scale long before the Industrial Revolution—so the problem can’t simply be attributed to the presence of industrial production methods.

"Modernity" is a category that is so over-arching that it is sometimes difficult to know precisely what it means. Whatever it is, and we could certainly discuss this topic for a long time, it isn't a useful way of describing a social system. It might provide a way of describing a certain pattern of historical development characteristic of the social system we have today, but it doesn't really point us to anything concrete.

If modernity itself were somehow to blame for environmental degradation, then the problem could be expected to exist only in "modern" societies. I think that this is too simplistic a conclusion to draw. My own view is that the ecological problem has existed for millennia, but that to understand it in any particular historical period we have to look concretely at the historical systems that are in place. I think that capitalism has been enormously destructive of the environment, but it is by no means the only social system that has been this way. Soviet-style systems were destructive of the environment in somewhat different ways for somewhat different reasons. Feudal and other tributary societies of earlier millennia were also enormously destructive of the environment. That said, the unprecedented magnitude of today's global ecological crisis shows us that capitalism really takes the cake.

When you start looking concretely at the forces that are generating this crisis, it becomes clear that they are inseparable from the basic dynamics of the global capitalist system itself. Today, as much as ever, capitalism demands constant and rapid economic growth. Historically, it has generally been assumed that capitalist economies could be expected to enjoy an overall rate of growth of about 3 percent a year. At this rate, the world economy would increase sixteen times in a century, 250 times in two centuries, and 4000 times in three centuries. This is just an arithmetical game in a way, but it shows us that a system as expansive as the one we have is inevitably going to cause problems in the context of a limited biosphere. Indeed, the global economic system is increasingly beginning to rival the biogeochemical processes of the planet itself in terms of scale. Obviously, this situation casts doubt upon the viability and effectiveness of environmental approaches which simply take the imperative of capitalist growth for granted.

DS: In *Marx's Ecology* and elsewhere, you've argued that the work of Marx is an underappreciated source of inspiration for radical ecological thinking. Doesn't this run counter to certain prevailing assumptions about Marx and Marxist thought more generally? For many "green" thinkers, it has become commonplace to claim that Marx was mostly indifferent to environmental questions,

or was even blatantly anti-ecological in his "Promethean" faith in economic and technological progress, his connection to an Enlightenment tradition oriented toward the "mastery" of nature, and so on.

JBF: Yes, my work goes against this interpretation of Marx—and I'm by no means alone in this regard. Thanks to the work of a number of scholars, it is really quite heavily documented now that Marx wrote a great deal about ecological crisis and how to deal with it. Marx's own materialist outlook was heavily influenced by nineteenth century soil scientist Justus von Liebig—something reflected in, among other things, his ideas about the "metabolic rift" that was occurring between the cities and rural areas and the ecological dislocations that this was causing. Such ideas were, and should continue to be, an important resource for the critical analysis of ecological problems.

The failure to appreciate fully the contributions of Marx arises, in part, from the growing tendency to regard ecological values and forms of understanding as fundamentally at odds with scientific and materialist modes of thought. Today, it is often assumed that being "ecological" means approaching the environment in a highly spiritualized and idealistic manner, and steering clear of the instrumental, reductive, and antagonistic attitude toward nature supposedly exemplified by science and the Enlightenment. Accordingly, being an environmentalist means rejecting "anthropocentric" ideals, cultivating a spiritual awareness of the inherent value of nature, and maybe even placing nature above human beings.

In contrast to this, there is another environmental tradition that has adopted a more materialist outlook and has actually produced most of the ecological science on which current debates over sustainability rest. This tradition in many ways recognized the environmental problem earlier and more substantively and—in my opinion—has a lot more to contribute to our understanding of what to do about it today. What's more, it doesn't create a simplistic binary framework in which you're either anthropocentric or ecocentric, pro-human or pro-nature. Instead, it has realized that our main object of concern needs to be the nature of the *interaction* between humans and nature, the ways in which we organize our relation to nature. We have to recognize the intrinsic value of the natural world and strive to protect it, of course; but we also need to recognize that we cannot avoid transforming nature as we work and live within it. To this extent, our goal should be to transform it in sustainable ways, to develop a rational regulation of our

relation to nature.

Here, Marx actually provides a lot of insights about regulating our relationship to the natural world, and about the ways in which environmental processes are intricately bound up with the development of society and social relations. Unfortunately, subsequent traditions of Marxist analysis did not really follow him, at least not for very long, in this direction, and the kernel of his ecological insights was lost. The anti-positivism of Western Marxism often manifested itself in a simple neglect of or hostility toward science. In contrast, the “dialectical materialism” coming out of the Soviet Union was overly positivistic and rested on a fetishized and distorted conception of science. Nuanced ecological analyses have tended to get lost in this split between, on the one hand, a mechanized science that doesn’t leave room for human beings and, on the other hand, a hermeneutic, humanistic tradition that rejects science altogether.

What we need is a more rational materialism that squarely addresses ecological issues and incorporates a concern for ecological crises and the need for sustainability into its economic perspective. To the extent that Marx was one of the thinkers that first laid out the principles for this type of materialism, I think that his work remains crucial for us today.

Toward an Ecological Morality

DS: While you are obviously wary of idealistic environmental positions premised upon “ecocentric” worldviews, new age spirituality, and so on, you’ve also argued that today’s ecological crisis is at the same time a crisis of values—one arising from the domination of market values over all others. Consequently, you’ve suggested that we stand in need of a “moral revolution” with regard to our relationship to nature, a revolution targeted not only at the irresponsible actions and decisions of individual consumers, politicians, and CEOs, but at the “higher immorality” of the capitalist system itself. How do we apply moral categories to the impersonal operations of an entire social system? Does this simply dispense with the notion of individual responsibility to which environmentalists today so often appeal?

JBF: Thinking of morality in these terms is certainly difficult, but necessary if we are to avoid simply individualizing blame for the ecological destruction generated by the capitalist market system. I’ve borrowed the term “higher immorality” from C. Wright Mills, who also used it as a means of expressing concern with the moral status of social structures that shape and constrain individual

choices and actions.

Over time, we've gradually come to accept certain basic moral principles regarding human development—for instance, that individuals should be protected from arbitrary coercion and control, should be free to develop their capacities and talents, to participate in the democratic process, and so on. Such principles are, of course, invariably tied in with broader issues of social development, both in the sense that they evolved through human struggle and that they require certain social conditions to be realized in practice.

So how are we to regard a social system that blocks this type of human development? What if that system, much like our own, actually restricts the free development of most of the population and concentrates immense power in the hands of a very few? What if it is geared toward only the short-term interest of wealthy investors, and ignores the fate of vast populations today and centuries down the line? As I see it, this certainly seems to be a form of "higher immorality."

Future generations, if they even exist, will likely not think very kindly of the people who wasted away the earth, or of the system that allowed them to do this in such an egregious manner. We need to realize that our moral responsibility toward these future generations is not first and foremost a question of individual behavior, but is tied up with the whole structure of the society in which we, as individuals, participate in various ways.

Of course, we are all responsible for our individual actions to a certain point, but many of these actions are not entirely freely chosen, but are elicited and compelled by the particular social structures within which we operate. Marx, for instance, did not exactly paint capitalists in rosy colors, and yet he, perhaps more than any other major social critic of his time, refrained from blaming the failings of capitalism upon the greedy motives and misdeeds of individuals. He realized that if people are institutionally placed in the capitalist class, they can hardly be blamed for operating according to the established rules of the market and trying to get high returns on their stocks and investments. The problem is that this impersonal, profit-driven market process tends systematically to expropriate wealth from other people and destroy the environment.

Any institutional reality that destroys the environment and leaves future generations more impoverished in their relation to the natural world is a kind of higher immorality. Marx once wrote that human beings don't own the earth, that we simply use it and have to conserve and maintain it together for future generations. I think of this as the basic moral principle underlying all questions of

sustainability—a universal guidepost for any society that believes that future generations should have an equal chance to our own.

Sadly, this basic principle holds little sway in our own society, which is rapidly using up the natural environment on which future generations depend. Most scientists now agree that 30–50 percent of all living species are going to be killed off in this century. They call this “the sixth extinction.” The last mass extinction on a comparable scale took place 65 million years ago, when the dinosaurs were killed off. We human beings are doing this to the earth—not merely as individuals, but as part of a social system that drives us in that direction and refuses to value anything but the accumulation of capital.

DS: Even amidst all of the political setbacks of recent years, large segments of the general population continue to express a relatively high level of concern for environmental issues. Unfortunately, most people increasingly can find few ways of enacting this concern beyond making environmentally-conscious personal lifestyle choices—to bike to work, take shorter showers, use energy-efficient light bulbs, recycle, compost, and so on. How can the environmental movement today begin to start channeling such popular expressions of ecological awareness and responsibility in a more transformative direction?

JBF: This will require a greater level of political organization and a greater willingness to take the bull by the horns. The environmental movement needs to face up to the fact that its goals run directly up against a highly intransigent opposition that is rooted in the power structures of capitalist society. Ultimately, achieving environmental sustainability will require us to transform those structures of power and not simply alter their minor manifestations.

Let me give you a concrete example. People are often told that, to be environmentally responsible, they should make the personal choice not to drive cars, and should instead make the effort to walk, ride a bicycle, or use public transport. Practically speaking, however, this is not a viable option for most people. Our roads, our jobs, and our whole urban infrastructure are set up in ways that render it virtually impossible for people to get along in their daily activities by walking or cycling, and public transport is inadequate or nonexistent in most places. Under these circumstances, it is not enough for us to say that people should make personal choices that are compatible with the environment. We need to organize politically to create the social structures—public transport, intercity

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train systems, flexible work routines, new forms of urban planning and land development, and so on—which will enable a greater number of people actually to make those choices.

This same point bears onto a lot of other issues as well. You can tell someone to “shop green,” for instance, but things aren’t set up for most people to do this. There aren’t the appropriate labels on products to distinguish “green” products from others on the shelf; or, perhaps, these products aren’t even available on the shelves of local stores, or are too expensively priced for people to afford. Ultimately, these are all political issues, so people will need to address the broader structures of power in some way before they can get more meaningful environmental choices.

Looking Forward

DS: In an article that was first published in *Monthly Review* and later reprinted as a chapter in your book *Ecology Against Capitalism*, you draw attention to what you call “the limits of environmentalism without class.” Why, in your opinion, does the contemporary environmental movement need to reengage with the question of social class?

JBF: The piece that you mention was written in the early 1990s at the time of the so-called spotted owl crisis in the ancient forests of the Pacific Northwest. At that time, the strategy of the most influential environmental organizations involved was to adopt a very narrow, single-issue approach to the conflict. Basically, their position was that they stood for nature—that it was their sole concern to protect the ancient forests, and it wasn’t their business to address the effect this might have on forestry workers or the economic conditions of the communities in which they lived. I sat down with somebody who was doing lobbying in Washington, D.C. on this issue, and he explicitly told me that, from the point of view of his organization, the environmental position would only be weakened by any mention of the economic situation of workers. For him, the job of environmentalists was simply to draw the line over protecting the forest.

The downside of adopting a strategy like this is that you leave the workers who actually have some interest in maintaining the environment, yet still have to worry about their jobs and livelihood, with no choice but to join up with management and adopt a common industrial front against ecology. In the case of the spotted owl crisis, even though workers had been in conflict with the major lumber companies in the Pacific Northwest over wages and other labor issues, environmentalists left them with no choice but to join

with the owners against what they saw as something that threatened their jobs. In this context, the "wise use movement" in the West gathered tremendous steam and was really able to exploit the discontent of workers, even though it was being funded by capital and promoting capital's interests above all else. This political alliance between workers and industry was one of the main reasons that environmental legislation got pushed back so much across the West.

My main point here is that if environmentalists adopt a single-issue approach, then they will simply drive workers into the arms of capital. To be politically effective and to connect with a broader base, they need to confront the issue of class. Most people in capitalist society are working class, and the environmental movement isn't likely to get very far if it gets too middle- or upper-class in its orientation, or simply ignores class issues and says that the fate of laid-off workers should be left to the sanctions of the market. Environmentalists need to avoid presenting people with a stark choice between protecting the environment and protecting the means by which they live. Instead, they need to have a political program that addresses the social and material needs of workers at the same time that it strives to protect the natural environment. This would help to develop a common labor-environmentalist political strategy that is capable of promoting real change.

DS: Toward the end of your book *The Vulnerable Planet*, you make an appeal for what you call "the socialization of nature"—a political goal that to some extent seems like a simple play on the traditional left objective of socializing the economy. For many environmentalists, however, this term might initially set off alarm bells, and be taken to imply the ultimate subordination of nature to human social ends. Could you explain this term for us a bit further?

JBF: The dominant thrust nowadays is toward what might be called the privatization of nature. Today's global economy is increasingly turning everything in the natural world into a private commodity to be bought and sold on the market—water, forests, plant species, and even (with the advent of pollution permits) the atmosphere itself. This tendency toward the privatization of nature is enormously destructive, and accelerates the kinds of environmental problems that I've argued are endemic to capitalism.

The socialization of nature is something else entirely. In my view, the more that nature is placed under the protection of people in general through democratic processes that determine the rules of

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sustainability, the better things are going to be. When we turn nature over to capital, we are opening it up to forms of private control and exploitation that are largely unaccountable to the collective goal of sustainability.

If you turn over an area of forest to private interests, for instance, then the public has no say over it anymore. Our public forests today may be in bad shape in many ways, but they still compare quite favorably to private forests, which practically don't exist anymore. If you look at where the private land is in the Pacific Northwest, you'll notice that all of the old growth forests have been cut down and replaced with tree plantations where young trees are grown and cut down as quickly as possible. This is an industrial form of production and harvesting that has nothing to do with maintaining the integrity of forests or the health of the ecosystem at all. The reason we have any real forests left is because they are under public control, because they have been socialized.

Today, advocates of privatization are extremely prejudiced against the state, tending to equate any mention of "socialization" with Soviet-style totalitarianism, statism, and so on. They tend to overlook the fact that the state can take many different forms—indeed, that democracy itself cannot exist without a state. If everything is turned over to private interests, then the democratic public sphere disappears, and all that you're left with is a number of private actors selfishly pursuing their own private ends. In this celebrated era of deregulation and privatization, we sometimes forget that many of the most basic goods that we all enjoy today—from tap water, to electricity, sanitation, parks, and so on—were not initially provided by business, but by public agencies responding to democratic demands. Similarly, the basic environmental protections that we have today were initiated and implemented by democratic public bodies, and only reluctantly acceded to by the capitalist class.

When we turn everything over to private interests, the majority of the population loses its ability to protect either nature or itself against the will of the powerful minority that owns and controls the great bulk of social resources. In contrast, when we bring something into the public sphere, we place it under a form of political control in which democratic principles can apply. In this sense, the socialization of nature represents a democratic and anticapitalist strategy, one that does relate directly to socialism. Socialism advocates the fullest extension of democratic public control, believing that the majority of ordinary people should have a say over how collective resources are used. I think that this is the direction in which we need to move if we are to change our relationship to the natural world and achieve genuine sustainability.

U.S. Imperialism, Europe, and the Middle East

SAMIR AMIN

The analysis proposed here regarding the role of Europe and the Middle East in the global imperialist strategy of the United States is set in a general historical vision of capitalist expansion that I have developed elsewhere.¹ In this view capitalism has always been, since its inception, by nature, a polarizing system, that is, imperialist. This polarization—the concurrent construction of dominant centers and dominated peripheries, and their reproduction deepening in each stage—is inherent in the process of accumulation of capital operating on a global scale.

In this theory of the global expansion of capitalism the qualitative changes in the systems of accumulation, from one phase of its history to another, shape the successive forms of asymmetric centers/peripheries polarization, that is, of concrete imperialism. The contemporary world system will thus remain imperialist (polarizing) throughout the visible future, in so far as its fundamental logic remains dominated by capitalist production relations. This theory associates imperialism with the process of capital accumulation on a worldwide scale, which I consider as constituting a single reality whose various dimensions are in fact not separable. Thus it differs as much from the vulgarized version of the Leninist theory of “imperialism, the highest phase of capitalism” (as if the former phases of global expansion of capitalism were not polarizing), as from the contemporary postmodern theories that describe the new globalization as “post-imperialist.”

1. Permanent Conflict of Imperialisms with Collective Imperialism

In its globalized deployment, imperialism was always conjugated in the plural, from its inception (in the sixteenth century) until

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This is an abridgement of “The U.S. Imperialism and the Middle East” in Pratyush Chandra, Anuradha Ghosh, and Ravi Kumar, eds., *The Politics of Imperialism and Counterstrategies* (Delhi, India: Aakar Books, 2004).

1945. The permanent and often violent conflict of imperialisms has occupied as decisive a place in the transformation of the world as class struggle, through which the fundamental contradictions of capitalism are expressed. Moreover, social strife and conflicts among imperialisms are closely articulated, and it is this articulation that has determined the course of really existing capitalism. The analysis that I have proposed in this respect differs vastly from that of the "succession of hegemonies."²

The Second World War ended in a major transformation in the forms of imperialism, substituting for the multiplicity of imperialisms in permanent conflict a collective imperialism. This collective imperialism represented the ensemble of the centers of the world capitalist system, or more simply, the triad: the United States and its external Canadian province, western and central Europe, and Japan. This new form of imperialist expansion has gone through various phases of its development, but it has been present ever since 1945. The hegemonic role of the United States must be located within this perspective, and every instance of this hegemony needs to be specified in its relation with the new collective imperialism. These questions pose problems, which are precisely those that I would wish to point out here.

The United States benefited enormously from the Second World War, which had ruined its principal contenders—Europe, the Soviet Union, China, and Japan. It was thus in a position to exert its economic hegemony, since more than half of global industrial production was concentrated in the United States, especially the technologies that would shape the development of the second half of the century. In addition, it alone possessed nuclear weapons—the new total weapon.

These dual advantages were nevertheless eroded in a relatively short period of time (within two decades) by dual recoveries, economic for capitalist Europe and Japan, and military for the Soviet Union. We must remember that this relative retreat of U.S. power resulted in lively speculation about American decline, contemplating even the ascent of possible alternative hegemonies (including Europe, Japan, and later China).

Gaullism was born at this time. Charles de Gaulle believed that the objective of the United States since 1945 had been to control the entire Old World (Eurasia). Washington had positioned itself strategically to divide Europe—which in de Gaulle's view spanned from the Atlantic to the Urals including "Soviet Russia"—by invoking the specter of aggression from Moscow, a specter in which de Gaulle never believed. His analysis was realistic, but he found himself almost alone. To the Atlanticism promoted by Washington he envisioned a counterstrategy founded on Franco-German reconciliation and the construction of a non-American Europe

carefully excluding Great Britain, which he judged rightly to be the Trojan horse of Atlanticism. Europe could then open the way to reconciliation with "Soviet Russia." Reconciling and drawing together the three big European populations—French, German and Russian—would put a definite end to the American project of dominating the world. The internal conflict specific to the European project can thus be summarized as the choice between two alternatives: Atlantic Europe, in which Europe is an appendage of the American project, or non-Atlantic Europe (integrating Russia). This conflict is still not resolved. But later developments—the end of Gaullism, Great Britain's admission to the European Union, Europe's expansion toward the east, the Soviet collapse—have combined to vitiate the European project by its dual dilution in neoliberal economic globalization and in the political-military alignment with Washington. Moreover, these developments reinforce the strength of the collective character of triad imperialism.

2. The Project of the U.S. Ruling Class: Globalize the Monroe Doctrine

The present U.S. project, overweening, even crazy, and criminal in its implications, did not spring from the head of George W. Bush to be implemented by an extreme right junta that seized power through dubious elections. This is the project the U.S. ruling class has unceasingly nurtured since 1945, even though its implementation passed through ups and downs and could not always be pursued with the consistency and violence demonstrated since the disintegration of the Soviet Union.

The project always allocated a decisive role to its military dimension. Very quickly, the United States devised a global military strategy, dividing the planet into regions and allocating the responsibility for the control of each of them to a U.S. Military Command. The objective was not only to encircle the Soviet Union (and China), but also to secure the position of Washington as the ruler of last resort throughout the world. In other words, it extended the Monroe Doctrine to the entire planet, which effectively gave to the United States the exclusive right of managing the whole globe in accordance with what it defined as its national interests.

This project implies that the sovereignty of the national interests of the United States is to be placed above all other principles controlling legitimate political behavior; it engenders a systematic mistrust toward all supranational rights. Certainly, imperialisms of the past did not behave differently, and those who endeavor to minimize and excuse the responsibilities—and the criminal behavior—of the present U.S. establishment make use of this argument and can readily find historical antecedents.

But this is precisely what one would have liked to see change in

the history which began after 1945. It is because the horrors of the Second World War were produced by the conflict of imperialisms and the fascist powers' contempt for international law, that the UN was founded on a new principle proclaiming the illegitimate character of the previously established sovereign right to wage war. The United States, it could be said, not only identified itself with this new principle, but had been among the first powers to do so.

This good initiative—supported at the time by the people of the entire world—represented indeed a qualitative jump and opened the way for the progress of civilization, but never won the conviction of the ruling class of the United States. The authorities in Washington always felt ill at ease with the concept of the UN, and today brutally proclaim what they were forced to conceal up until now: that they do not accept even the concept of an international law superior to what they consider to be the exigencies of the defense of their own national interests. We cannot accept excuses for this return to a vision developed by the Nazis, which accompanied the destruction of the League of Nations. The plea in favor of international law, developed with talent and elegance by French Foreign Minister Dominique de Villepin at the Security Council, is not a nostalgic look toward the past but on the contrary a reminder of what the future must be. On that occasion it was the United States which defended a past that all decent opinion had definitively proclaimed obsolete. The implementation of the U.S. project necessarily went through successive phases, shaped by the particular power relations that defined them.

Immediately after the Second World War American leadership was not only accepted but even solicited by the bourgeoisie of Europe and Japan. For while the menace of a Soviet invasion could convince only the feeble-minded, its invocation rendered good services to the right as well as to social democrats hounded by their adversary communist cousins. One could then believe that the collective character of the new imperialism was only due to this political factor and that, once their backwardness in relation to the United States was overcome, Europe and Japan would seek to get rid of Washington's cumbersome and henceforth useless supervision. That was not the case. Why?

My explanation appeals to the rise of the national liberation movements in Asia and Africa—during the two decades following the 1955 Bandung Conference which gave birth to the movement of nonaligned nations—and to the support they enjoyed from the Soviet Union and China (each in its own way). Imperialism was then forced to make do, thus not only accepting peaceful coexistence with a vast area which largely escaped its control (the socialist world) but also negotiating the terms of the participation of the Asian and African countries in the imperialist world system. The

collective alignment of the triad under American leadership seemed useful for managing the North-South relationships of the epoch. This is why the non-aligned nations found themselves confronted with a practically indivisible Western bloc.

The collapse of the Soviet Union and the smothering of the populist nationalist regimes born from national liberation movements permitted the imperial project of the United States to be deployed with extreme vigor in the Middle East, Africa, and Latin America. True, the project remains in the service of collective imperialism, at least up to a certain point (which I will try to clarify later). Its expression has come to be the economic government of the world on the basis of the principles of neoliberalism, implemented by the G-7 and the institutions at its service (the WTO, World Bank, and IMF), and the structural readjustment plans imposed on the suffocating third world. Even on the political level, it is clear that initially the Europeans and Japanese aligned themselves with the U.S. project. They accepted the marginalization of the UN for the benefit of NATO at the time of the 1991 Gulf War and the 2002 wars in Yugoslavia and Central Asia. This stage is still not over, even if the 2003 war on Iraq revealed some cracks in the facade.

The ruling class of the United States proclaims openly that it will not tolerate the reconstitution of any economic and military power capable of questioning its monopoly of domination over the planet, and for this purpose, it gave itself the right to wage preventive wars. Three principal potential adversaries are targeted here.

In the first place is Russia, whose dismemberment, after that of the USSR, constitutes henceforth a major strategic objective of the United States. The Russian ruling class does not appear to have understood this yet. It seems convinced that after having lost the war, it could win the peace, as had been the case for Germany and Japan. It forgets that Washington needed the recovery of these two former adversaries precisely to face the Soviet challenge. The new situation is different; the United States no longer has a serious competitor. Their first option is then to destroy the ravaged Russian adversary permanently and completely. Will Putin understand this and initiate the process of weaning the Russian ruling class of its illusions? In the second place is China, whose growth and economic success worry the United States. The U.S. strategic objective is to dismember this large country.

Europe comes third in this global vision of the new masters of the world. But here the North American establishment does not appear anxious, at least so far. The unconditional Atlanticism of a few (Great Britain, as well as the new servile powers of the East), the quicksand of the European project (a point to which I will return), and the converging interests of the dominant capital of the

collective imperialism of the triad, all contribute to the effacement of the European project. It remains the European wing of the U.S. project as the diplomacy of Washington has managed to keep Germany obedient. The reunification and the conquest of Eastern Europe even seemed to reinforce this alliance. Germany was encouraged to reclaim its tradition of thrust toward the east, and the part played by Berlin in the dismemberment of Yugoslavia by the hasty recognition of Slovenian and Croatian independence was its expression. For the rest, Germany has been induced to navigate in Washington's wake. Is there any change in progress? The German political class appears hesitant and may well be divided as far as its strategic choices are concerned. The alternative to the Atlanticist alignment is a reinforcement of the nascent Paris-Berlin-Moscow axis, which would then become the most solid pillar of a European system independent of Washington.

Our main question can now be reconsidered, that is, the nature and potential strength of the triad's collective imperialism, and the contradictions and weaknesses of its leadership by the United States.

3. Collective Imperialism of the Triad and Hegemony of the United States: Their Articulation and Contradictions

Today's world is militarily unipolar. At the same time, some fissures seem to have appeared between the United States and some of the European countries with regard, in theory at least, to the political management of a global system united on the principles of liberalism. Are these fissures only temporary and limited, or do they proclaim some lasting changes? It will be necessary to analyze in all their complexity the logics of the new phase of collective imperialism (North-South relationships in the current language) and the specific objectives of the U.S. project. In this spirit I will approach succinctly and successively five sets of questions:

Concerning the Evolution of the New Collective Imperialism

The formation of the new collective imperialism finds its origin in the transformation of the conditions of competition. Only a few decades ago, the large firms fought their competitive battles essentially over national markets, whether that of the United States (the largest national market in the world) or those of the European states (in spite of their modest size, which handicapped them in relation to the United States). The winners of the national contests could perform well on the world market. Today the size of the market necessary for gaining an upper hand in the first cycle of competition encompasses some 500-600 million potential consumers. The battle must thus be launched straightaway on the global market and won on this ground. And those who dominate

this market then assert their power over their respective national terrains. Thorough internationalization becomes the primary setting of the activities of the large firms. In other words, in the pair national/global, the terms of causality are reversed: earlier the national power commanded the global presence and today it is the reverse. Therefore the transnational firms, whatever their nationality, have common interests in the management of the world market. These interests are superimposed on the various mercantile conflicts, which define all the forms of competition specific to capitalism, irrespective of what they are.

The solidarity of the dominant segments of transnationalized capital of all the partners in the triad is real, and is expressed by their rallying to globalized neoliberalism. The United States is seen from this perspective as the defender (militarily if necessary) of these common interests. Nonetheless, Washington does not intend to share equitably the profits of its leadership. The United States seeks, on the contrary, to reduce its allies into vassals and thus is only ready to make minor concessions to junior allies in the triad. Will this conflict of interests within dominant capital lead to the break-up of the Atlantic alliance? Not impossible, but unlikely.

Concerning the Place of the United States in the World Economy

A common opinion has it that U.S. military power only constitutes the tip of the iceberg, extending the country's superiority in all areas, notably economic, but even political and cultural. Therefore, submission to the hegemony to which it pretends would be impossible to avoid.

I maintain, to the contrary, that in the system of collective imperialism the United States does not have decisive economic advantages. The U.S. production system is far from being the most efficient in the world. In fact, very few of its sectors would be certain of beating competitors in the truly free market dreamt of by liberal economists. The U.S. trade deficit, which increases year by year, went from 100 billion dollars in 1989 to 500 billion in 2002. Moreover, this deficit involved practically all areas of production. Even the surplus once enjoyed by the United States in the area of high-technology goods, which stood at 35 billion in 1990, has now turned into a deficit. Competition between Ariane rockets and those of NASA, between Airbus and Boeing, testifies to the vulnerability of the American advantages. The United States is faced by European and Japanese competition in high-technology products, Chinese, Korean, and other Asian and Latin American industrialized countries in common manufactured products, and by Europe and the southern cone of Latin America in agriculture. The United States probably would not be able to win were it not for its recourse to extra-economic means, violating the principles of liberalism imposed on

its competitors!

In fact, the United States only benefits from comparative advantages in the armaments sector, precisely because this sector largely operates outside the rules of the market and benefits from state support. This advantage probably brings certain benefits for the civil sphere in its wake (the Internet being the best-known example), but it also causes serious distortions that handicap many sectors of production.

The North American economy lives parasitically, to the detriment of its partners in the world system. "The United States depends for 10 percent of its industrial consumption on goods whose import costs are not covered by the exports of its own products," as Emmanuel Todd recalls.³ The world produces, and the United States (which has practically no national saving) consumes. The *advantage* of the United States is that of a predator whose deficit is covered by loans from others, whether by consent or force. Washington has employed three primary means to compensate for these deficiencies: repeated unilateral violations of liberal principles; arms exports; and a search for greater profits from oil (which presupposes systematic control over the producers—one of the real reasons for the wars in Central Asia and Iraq). The fact is that the essential part of the U.S. deficit is covered by contributions of capital from Europe, Japan, and the South (from oil-rich countries and comprador classes of every country of the third world, the poorest included), to which are added the additional sums brought in from servicing the debt that has been forced on almost all the countries on the periphery of the world system.

The growth of the Clinton years, flaunted as the result of a liberalism that Europe was unfortunately resisting, was in fact largely fake, and in any case, nongeneralizable, depending on capital transfers that meant the stagnation of partner economies. For all sectors of the real production system, U.S. growth was not better than that of Europe. The American miracle was fed exclusively by a growth in expenditure produced by growing social inequalities (financial and personal services, legions of lawyers, and private police forces). In this sense, Clinton's liberalism indeed prepared the conditions for the reactionary wave, and later the victory of Bush Junior.

The causes of the weakening of the U.S. production system are complex. They are certainly not conjunctural, and they cannot be corrected by the adoption of a correct rate of exchange, for example, or by putting in place a more favorable balance between salaries and productivity. They are structural. The mediocrity of general education and training systems, and a deep-rooted prejudice systematically in favor of the private to the detriment of public services, are among the main reasons for the profound crisis that

U.S. society is going through.

One should, therefore, be surprised that the Europeans, far from drawing the conclusions that observation of the deficiencies of the U.S. economy forces upon one, are actively going about imitating it. Here, too, the liberal virus does not explain everything, even if it fulfills some useful functions for the system in paralyzing the left. Widespread privatization and the dismantling of public services will only reduce the comparative advantages that "Old Europe" (as Bush qualifies it) still enjoys. However, whatever damage these things will cause in the long term, such measures offer dominant capital, which lives in the short term, the chance of making additional profits.

Concerning the Specific Objectives of the U.S. Project

The hegemonic strategy of the United States is within the framework of the new collective imperialism.

Conventional economists do not have the analytical tools necessary to understand the paramount importance of these objectives. They are heard repeating *ad nauseam* that in the new economy the raw materials coming from the third world are destined to lose their importance and thus the third world is becoming more and more marginal in the world system. In counterpoint to this naive and hollow discourse we have the *Mein Kampf* of the Bush administration,⁴ and surely it must be acknowledged that the United States works hard for the right to seize all the natural resources of the planet to meet its consumption requirements. The race for raw materials (oil in the first place, but other resources too—water in particular) has already been resumed in all its virulence. All the more since these resources are likely to become scarce not only by reason of the malignant waste inherent in Western consumerism, but also by the development of the new industrialization of the peripheries.

Moreover, a respectable number of countries from the South are destined to become increasingly important industrial producers as much for their internal markets as for their roles in the world market. As importers of technologies, of capital, also as competitors in exports, they are destined to disturb the global economic equilibrium with an increasing weight. And it is not a question only of some East Asian countries (like Korea), but of immense China and, tomorrow, India and the large countries of Latin America. However, far from being a factor of stabilization, the acceleration of capitalist expansion in the South can only be the cause of violent conflicts—internal and international. The reason is that this expansion cannot absorb, under existing conditions, the enormous reserve of labor force that is concentrated in the periphery. In fact, the peripheries of the system remain the zone of tempests. The

U.S. IMPERIALISM, EUROPE, AND THE MIDDLE EAST

centers of the capitalist system thus need to exert their domination over the peripheries and to subject the world's population to the pitiless discipline that the satisfaction of their priorities requires.

Within this perspective, the American establishment has perfectly understood that, in the pursuit of its hegemony, it has three decisive advantages over its European and Japanese competitors: control over the natural resources of the globe; its military monopoly; and the weight of the Anglo-Saxon culture by which the ideological domination of capitalism is best expressed. The systematic manipulation of these three advantages reveals many aspects of U.S. policy: the systematic efforts that Washington exerts for the military control of the oil-producing Middle East; its offensive strategy with regard to China and Korea—taking advantage of the latter's "financial crisis"; and its subtle game aiming at perpetuating divisions in Europe—by mobilizing its unconditional British ally while preventing any serious rapprochement between the European Union and Russia. At the level of global control over the resources of the planet, the United States has a decisive advantage over Europe and Japan. Not only because the United States is the sole international military power, and thus no strong intervention in the third world can be led without it, but more because Europe (excluding the ex-USSR) and Japan are by themselves largely devoid of essential resources for their economy. For example, their dependence in the energy sector, in particular their oil dependence with regard to the Persian Gulf, will persist for a considerable time, even if it were to decrease in relative terms. By militarily seizing control of this region through the Iraq war, the rulers of the United States have demonstrated that they were perfectly conscious of the utility of this type of pressure, which they bring to bear on their (allied) competitors. Not long ago the Soviet Union had also understood this vulnerability of Europe and Japan, and certain Soviet interventions in the third world sought to remind them of it, so as to induce them to negotiate on other grounds. It was clear that the deficiencies of Europe and Japan could be offset in the event of a serious rapprochement between Europe and Russia (the "common home" of Gorbachev). This is the very reason that the danger of this construction of Eurasia remains Washington's nightmare.

Concerning the Conflicts between the United States and its Triad Partners

If the partners in the triad share the common interests in the global management of collective imperialism implied in their relationship with the South, they are nonetheless in a serious potentially conflictual relationship.

The American superpower sustains itself due to the capital flow that feeds the parasitism of its economy and society. This

vulnerability of the United States constitutes, therefore, a serious threat for the Washington project.

Europe in particular and the rest of the world in general will have to choose one of the following two strategic options: either invest the surplus of their capital (that is, savings) so as to provide for the continuing financing of the U.S. deficit (consumption, investments, and military expenditures) or conserve and invest this surplus at home.

The conventional economists are ignorant of the problem, having made the senseless hypothesis that since globalization has supposedly abolished the nation-state, the primary economic factors (saving and investment) cannot be managed any more at national levels. But however foolish, the notion of the identity of saving and investment at the world level is indeed useful to justify and promote the financing of the U.S. deficit by others. Such nonsense is a fine instance of tautological reasoning, where the conclusions at which one wishes to arrive are implied in the very premise.

Why then is such ineptitude accepted? No doubt, the teams of scholarly economists who encircle the European (and also Russian and Chinese) political classes of the right as well as of the electoral left are themselves victims of their economic alienation, which I term the liberal virus. Besides, through this option the political judgment of large transnational capital is expressed. That judgment is that the advantages attained by the management of the globalized system by the United States on behalf of collective imperialism prevail over the disadvantages—the tribute which must be paid to Washington to ensure stability. What is at issue, after all, is a *tribute* and not an *investment* with a good guaranteed return. There are some countries qualified as *poor* indebted countries that are always constrained to service their debt at any price. But there is also a *powerful* indebted country that has the means to devalue its debt if considered necessary.

The other option for Europe (and the rest of the world) would thus consist in putting an end to this transfusion in favor of the United States. The surplus could then be used locally (in Europe), and the economy revived. The transfusion requires the Europeans to submit to, in the misleading language of conventional economics, “deflationary policies” that I term *stagnationist*—so as to release a surplus of exportable saving. It makes a recovery in Europe—always mediocre—dependent on artificial support from the United States. The mobilization of this surplus for local employment in Europe would permit the simultaneous revival of consumption (by rebuilding the social dimension of the economic management devastated by the liberal virus); investment (particularly in new technologies and research), and even military expenditure (putting an end to the advantages of the United States in this field). To

choose this response would imply a rebalancing of the social relationships in favor of the laboring classes. In Europe this remains a possible option for capital. The contrast between the United States and Europe does not fundamentally go against the interests of the dominant segments of their respective capitals. It results above all from the difference of political cultures.

Concerning Questions of Theory Suggested by the Preceding Reflections

Complicity and competition between the partners in collective imperialism for the control of the South—the plundering of the natural resources and submission of its people—can be analyzed from different angles of vision. I will make, in this respect, three observations, which appear major to me.

First, the contemporary world system that I describe as collective imperialist is no *less* imperialist than its predecessors. It is not an “Empire” of “post-capitalist” nature.

Second, I have proposed a reading of the history of capitalism, globalized right from its origin, centered on the distinction between the various phases of imperialism (of center/periphery relationships).

Third, internationalization is not synonymous with unification of the economic system by the deregulated opening up of markets. The latter—in its successive historical forms (the freedom of trade yesterday, the freedom of firms today)—always constituted only the project of the dominant capital of the time. In reality this project was almost always forced to adjust to requirements that are not the concern of its exclusive and specific internal logic. It thus could never be implemented except in some short moments of history. The “free exchange” promoted by the major industrial power of its time, Great Britain, was effective only during two decades (1860–1880) and was succeeded by a century (1880–1980) characterized by the conflict between the imperialists and the strong de-linking of the socialist countries and the more modest de-linking of the populist nationalist countries (in the era of Bandung from 1955 to 1975). The current moment of the reunification of the world market inaugurated by neoliberalism since 1980, extended to the whole planet with the Soviet collapse, is probably not destined to experience a better fate. The chaos that it generates testifies to its character as the “permanent utopia of capital,” the phrase by which I have described this system since 1990.

4. The Middle East in the Imperialist System

U.S. Regional Dominance after the Fall of the USSR

The Middle East, henceforth to be considered together with the bordering areas of the Caucasus and ex-Soviet Central Asia, occupies a position of particular importance in the geostrategy and geopolitics of imperialism, and particularly of the U.S. hegemonic project. It

owes this position to three factors: its oil wealth; its geographical position in the heart of the Old World; and the fact that it constitutes the soft underbelly of the world system.

The access to oil at a relatively cheap price is vital for the economy of the dominant triad, and the best means of ensuring this guaranteed access consists in securing political control of the area.

But the region also holds its importance equally due to its geographical position, being at the center of the Old World, at equal distance from Paris, Beijing, Singapore, and Johannesburg. In the olden times control over this inevitable crossing point gave the Caliphate the privilege of drawing the chief benefits from that epoch's long distance trade. After the Second World War the region, located on the southern side of the Soviet Union, was crucial to the military strategy of encircling Soviet power. And the region did not lose its importance with the collapse of the Soviet adversary. U.S. dominance in the region reduces Europe, dependent on the Middle East for its energy supply, to vassalage. Once Russia was subdued, China and India were also subjected to permanent energy blackmail. Control over the Middle East would thus allow an extension of the Monroe Doctrine to the Old World, the objective of the hegemonist project of the United States. But the continuous and constant efforts made by Washington since 1945 to secure control over the region, while excluding the British and French, has not been so far crowned with success. One recalls the failure of the attempt to attach the region to NATO through the Baghdad Pact, and the fall of one of their most faithful allies, the Shah of Iran.

The reason is quite simply that the project of Arab (and Iranian) nationalist populism entered headlong into conflict with the objectives of American hegemonism. This Arab project hoped to force the Great Powers to recognize the independence of the Arab world. The nonaligned movement formulated in 1955 at Bandung by the ensemble of liberation movements of Asian and African people was the strongest current of the time. The Soviets quickly understood that by giving their support to this project they could set back the aggressive plans of Washington.

This epoch came to an end, in the first instance because the populist nationalist project of the Arab world quickly exhausted its potential for transformation, and the nationalist powers sank into dictatorships empty of either hope or plans for change. The vacuum created by this drift opened the way for political Islam and the obscurantist autocracies of the Persian Gulf, the preferred allies of Washington. The region has become one of the underbellies of the global system, vulnerable to external intervention (including military) that the current regimes, for a lack of legitimacy, are incapable of containing or discouraging. The region constituted, and continues to constitute, a zone of the first priority (like the

Caribbean) within the American geomilitary division of the entire planet—a zone where the United States is granted the “right” of military intervention. Since 1990, they are not deprived of anything!

The United States operates in the Middle East in close cooperation with their two unconditional faithful allies—Turkey and Israel. Europe is kept away from the region, forced to accept that the United States is defending the global vital interests of the triad, that is to say its oil supply. In spite of signs of obvious irritation after the Iraq war, in this region the Europeans by and large continue to sail in Washington’s wake.

The Role of Israel and the Palestinian Resistance

Israel’s colonial expansionism constitutes a real challenge. Israel is the only country in the world that refuses to recognize its borders as definite (and for this reason ought not to have the right to be a member of the United Nations). Like the United States in the nineteenth century, it claims the right to conquer new areas for the expansion of its colonization and to treat the people who had lived there for thousands of years like “redskins.” Israel is the only country that openly declares itself not bound by the resolutions of the UN.

The war of 1967, planned in agreement with Washington in 1965, was in pursuit of several goals: to start the collapse of the populist nationalist regimes; to break their alliance with the Soviet Union; to force them to reposition themselves on American terms; and to open new grounds for Zionist colonization. In the territories conquered in 1967 Israel set up a system of apartheid inspired by that of South Africa.

It is here that the interests of dominant capital meet up with those of Zionism. A rich, powerful, and modernized Arab world would call into question the right of the West to plunder its oil resources, which are necessary for the continuation of the waste associated with capitalist accumulation. Therefore, the political powers in the countries of the triad—all faithful servants of dominant transnational capital—do not want a modernized and powerful Arab world.

The alliance between Western powers and Israel is thus founded on the solid basis of their common interests. This alliance is neither the product of European feelings of guilt for anti-Semitism and Nazi crime, nor that of the skill of the “Jewish lobby” in exploiting this sentiment. If the Powers thought that their interests were harmed by the Zionist colonial expansionism, they would quickly find the means of overcoming their guilt complex and of neutralizing this lobby. This I do not doubt, not being among those who naively believe that public opinion in the democratic countries, such as it is, imposes its views on these Powers. We know that

opinion also is manufactured. Israel is incapable of resisting for more than a few days even moderate measures of a blockade such as the Western powers inflicted on Yugoslavia, Iraq, and Cuba. It would thus not be difficult to bring Israel to its senses and to create the conditions of a true peace, if it were wanted, which it is not.

Shortly after defeat in the 1967 war, Egypt's President Anwar Sadat stated that since the United States held "90 percent of the cards" (his expression), it was necessary to break with the Soviet Union and reintegrate with the Western camp. He claimed that by doing so, one could get Washington to exert sufficient pressure on Israel to bring it to its senses. Beyond similar strategic ideas peculiar to Sadat—whose incoherence has been proven by events—Arab public opinion remained largely incapable of understanding the dynamics of the global expansion of capitalism, and even less capable of identifying its true contradictions and weaknesses. Is it not still said that "Someday the West will understand that its long run interest is to maintain good relations with the two hundred million Arabs and will choose not to sacrifice these relations for unconditional support for Israel?" This is implicitly to think that the "West" in question, which is the imperial center of capital, wishes a modernized and developed Arab world rather than wanting to maintain the Arab world in impotence, for which support for Israel is manifestly useful.

The choice made by the Arab governments—with the exception of Syria and Lebanon—which led them by way of the negotiations of Madrid and Oslo (1993) to subscribe to the American plan of the so-called definitive peace, could not yield results other than those which it has yielded: encouraging Israel to solidify its expansionist project. By openly rejecting the terms of the Oslo contract today, Ariel Sharon demonstrates merely what was already clear—that it was not a matter of a project for definitive peace, but of opening a new phase in Zionist colonial expansion.

Israel and the Western powers supporting its project have imposed a state of permanent war in the region. In its turn, this state of permanent war reinforces the autocratic Arab regimes. This blockage of any possible democratic evolution weakens the chances of an Arabic revival, and thus reinforces the alliance of the dominant capital with the hegemonist strategy of the United States. The circle is completed: the Israeli-American alliance serves perfectly the interests of the two partners.

Initially the system of apartheid deployed after 1967 gave the impression of being capable of achieving its ends—the management of everyday life in the occupied territories by the fearful elites and commercial bourgeoisie, seemingly with the acceptance of the Palestinian people. From its remote exile in Tunis the PLO, removed

from the region after the invasion of Lebanon by the Israeli army (1982), appeared no longer able to call the Zionist annexation into question.

The first Intifada exploded in December 1987. It expressed the sudden emergence of the popular classes and remarkably of its poorest segments confined in the refugee camps. The Intifada hamstrung Israeli power by the organization of systematic civil disobedience. Israel reacted with brutality, but managed neither to restore its effective police power nor to place the fearful Palestinian middle classes back in the saddle. On the contrary, the Intifada called for the mass return of exiled political forces, the constitution of new local forms of organization, and the adherence of the middle classes to a committed fight for liberation. The Intifada was provoked by the youth, *chebab al Intifada*, initially not organized within the formal networks of the PLO, but by no means a hostile competitor to them. The four components of the PLO (Fatah, devoted to its chief Yasser Arafat, the Democratic Front for the Liberation of Palestine, the Popular Front for the Liberation of Palestine, and the Communist Party) threw themselves into the Intifada and for this reason gained the sympathy of the major part of the *chebab*. The Muslim Brotherhood, sidelined by their inactivity during the preceding years despite some actions by Islamic Jihad (which made its appearance in 1980), yielded its place to a new expression of struggle—Hamas, constituted in 1988.

As the first Intifada gave signs of running out of breath after two years, and with Israeli repression becoming more and more violent (including the use of firearms against children and closing the green line to block nearly the only source of income for Palestinian workers), the scene was set for “negotiation.” The initiative was taken by the United States, leading first to the Madrid talks (1991), and then to the so-called Oslo Peace Agreements (1993). These agreements allowed the return of the PLO to the occupied territories and its transformation into a Palestinian Authority.

The Oslo agreements imagined the transformation of the occupied territories into one or more Bantustans, definitively integrated into the Israeli region. Within this framework, the Palestinian Authority was to be only a false state—as that of the Bantustans—and in fact to be the transmission belt of the Zionist order.

Returning to Palestine, the PLO—now the Palestinian Authority—managed to establish its order, but not without some ambiguities. The authority absorbed in its new structures the major part of *chebab*, which had coordinated the Intifada. It achieved legitimacy by the electoral consultation of 1996, in which the Palestinians participated en masse (80 percent); an overwhelming

majority elected Arafat the president of the authority. The authority remained nevertheless in an ambiguous position: would it agree to fulfill the functions that Israel, the United States and Europe allotted it—that of government of a Bantustan, or would it align with the Palestinian people who refused to submit?

As the Palestinian people rejected the Bantustan project, Israel decided to denounce the Oslo agreement, although it had dictated its terms, and substituted the use of pure and simple military violence. The provocation at the Jerusalem holy places engineered by the war criminal Sharon in 1998 (but with the help of the Labor government that furnished the tanks), and the triumphal election of this same criminal at the head of the Israeli government (and the collaboration of the doves like Simon Peres with this government), were the cause of the second Intifada, which is in progress.

Will this succeed in liberating the Palestinian people from submission to Zionist apartheid? It is too early to say. In any event, the Palestinian people now have a true national liberation movement. It has its own specificities. It does not follow the one party style of homogeneity (though the reality of single party states was always more complex). It has components that conserve their own personality, their visions of the future, including their ideologies, their militants and clientele, but which appear to know how to cooperate in leading the struggle.

The U.S. Project for the Middle East

The erosion of the regimes of populist nationalism and the disappearance of Soviet support gave the United States the opportunity to implement its project for the area.

The control of the Middle East is certainly a cornerstone of Washington's project of global hegemony. How then does the United States imagine securing control? It is already a decade since Washington took the initiative of advancing the curious project of a "Common Market of the Middle East" in which some countries of the Persian Gulf would have supplied capital, while other Arab countries supplied cheap labor, and reserving for Israel technological control and the functions of the privileged and grateful intermediary. Accepted by the Gulf countries and Egypt, the project was confronted nevertheless with the refusal of Syria, Iraq, and Iran. It was thus necessary to knock down these three regimes for the project to advance. Now that has been done for Iraq.

The question then is what type of political regime must be set up in order to be able to sustain the project. Washington's propagandistic discourse is about "democracies." In fact, Washington is busy doing nothing but substituting the so-called Islamic obscurantist autocracies for the worn-out autocracies of outmoded populism (covering the operation with drivel about its

respect for the cultural specificity of the communities). The renewed alliance with a so-called moderate political Islam (one that is capable of controlling the situation with sufficient efficacy to prohibit the terrorist drifts—defining “terrorist” as threats directed against, and only against, the United States) now constitutes the axis of Washington’s political choice. It is within this perspective that reconciliation will be sought with the antiquated autocracy of the Middle Eastern social system.

Confronted with the deployment of the U.S. project, Europeans invented their own project, baptized as the “Euro-Mediterranean partnership.” A decidedly cowardly project—encumbered with incoherent prattling which, of course, also proposed to reconcile the Arab countries with Israel. By excluding the Gulf countries from the Euro-Mediterranean dialogue it was conceded that the management and control of these latter countries was the exclusive responsibility of Washington.

The sharp contrast between the bold audacity of the American project and the debility of the European project is a good indicator that really existing Atlanticism has no place for a shared responsibility and association in decision making that would place the United States and Europe on an equal footing. Tony Blair, who has made himself the advocate of the construction of a unipolar world, thinks he is able to justify this option because Atlanticism would be founded on this supposed sharing. Washington’s arrogance every day reveals this hope to be illusory, if it has not from the beginning been a bad faith effort to fool European opinion. The realism of Stalin’s statement that the Nazis “did not know where it was necessary to stop” is precisely applicable to those who control the United States. Blair appeals to hopes that resemble only those placed in Mussolini’s supposed capacity to assuage Hitler.

Is another European option possible? Has it begun to take shape? Does Chirac’s speech opposing the “unipolar Atlantic” world (which he seemingly well understands to be in fact synonymous with the unilateral hegemony of the United States) announce the construction of a multi-polar world and an end to Atlanticism? For this possibility to become a reality, it would first be necessary that Europe free itself of the quicksand in which it slips and sinks.

5. The European Project: Mired in Liberal Quicksand

All the governments of the European states have been won over to the theses of liberalism. This regimentation of the European states means nothing less than the obliteration of the European project by its double dilution, economic (the advantages of the European economic union are dissolved in economic globalization) and political (European political and military autonomy disappears). There is not, at the present time, any European project. A North

Atlantic project (or eventually of the triad) under American command has been substituted for it.

After the Second World War, Western Europe managed to make up for its economic and technological backwardness vis-à-vis the United States. After 1989, the Soviet threat was gone as were the violent adversities that had marked European history during the past century and a half: the three major countries of the continent—France, Germany, and Russia—are reconciled. All these developments are, in my opinion, positive and rich with still more potential. Certainly they are superimposed upon an economic base restructured by the principles of liberalism. Yet this liberalism was tempered until the 1980s by the social-democratic historical compromise that forced capital to adjust itself to the demands of social justice expressed by the working classes. Afterwards, the deployment continued in a new social framework inspired by American-style, antisocial liberalism.

This last turn has plunged the European societies into a multidimensional crisis. Essentially it is the economic crisis, nothing more and nothing less, immanent in the liberal choice. The crisis was aggravated by the European countries falling into line with the economic requirements of U.S. leadership: Europe consenting up to now to finance the latter's deficit to the detriment of its own interests. Then there is a social crisis, which is accentuated by the rise of resistances and the struggles of the popular classes against the fatal consequences of the liberal option. Finally, there is the beginning of a political crisis—the refusal to align, at least unconditionally, over the U.S. demand for an endless war against the South.

The made-in-USA wars have certainly stirred up public opinion (the latest Iraq war has had that effect globally) and even certain governments, initially that of France and then those of Germany, Russia, and China, too. The fact remains that these same governments have not called into question their faithful alignment over the needs of liberalism. This major contradiction will have to be overcome in one way or another, either by their submission to the requirements of Washington, or by a true rupture putting an end to Atlanticism.

The major political conclusion that I draw from this analysis is that Europe cannot pass beyond Atlanticism as long as political alliances defining the blocs in power remain centered on dominant transnational capital. It is only if social and political struggles manage to modify the content of these blocs, and to impose new historical compromises between capital and labor, that Europe would be able to distance itself from Washington, permitting the eventual revival of a European project. Under these conditions Europe also could—even ought to—become engaged at the

U.S. IMPERIALISM, EUROPE, AND THE MIDDLE EAST

international level in its relationships with the East and the South, on a path other than that traced by the exclusive requirements of collective imperialism. Such a course would begin its participation in the long march beyond capitalism. In other words, Europe will be of the left (the term *left* being taken seriously) or will not be at all.

Notes

1. Samir Amin, *Class and Nation* (New York: NYU Press, 1981); Samir Amin, *Eurocentrism*, (New York: Monthly Review Press, 1989); Samir Amin, *Obsolescent Capitalism* (London: Zed Books, 2003); Samir Amin, *The Liberal Virus* (New York, Monthly Review Press, 2004).
2. The "succession of hegemonies" reading is "Western-centric" in the sense that it considers that the transformations operating at the heart of the system command the global evolution of the system in a decisive and almost exclusive manner. The reactions of the people of the peripheries to the imperialist deployment should not be underestimated. The independence of the Americas, the great revolutions made in the name of socialism (Russia and China), and the reconquest of independence by the Asian and African countries, were provocations to the system *from the peripheries*. And I do not believe that one can account for the history of world capitalism without accounting for the adjustments that these transformations imposed even on central capitalism itself. Then also because the history of imperialism appears to me to have been shaped more through the conflict of imperialisms than by the type of order that successive hegemonies have imposed. The apparent periods of hegemony have been always extremely short and the said hegemony very relative.
3. Emmanuel Todd, *After the Empire: The Breakdown of the American Order* (New York: Columbia University Press, 2003).
4. Office of the White House, *The National Security Strategy of the United States*, September 2002, <http://www.whitehouse.gov/nsc/nss.html>.

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After the Referendum

Venezuela Faces New Challenges

MARTA HARNECKER

With President Hugo Chávez's victory in the August 15 referendum, the Venezuelan opposition suffered the third great defeat in its struggle to end his government. The unprecedented recall referendum ratified Chávez's presidency by a margin of two million votes and was declared valid unanimously by the hundreds of international observers who scrutinized it.

In a part of the world where democracy has been discredited by its failure to solve the problem of poverty, the result provided, in the words of one observer, Eduardo Galeano, "an injection of optimism."

The victory belongs not to a man but to the project of creating a country guided by humanism and solidarity in its domestic and international spheres. It is also a victory for a development model embracing endogenous development and the social economy as alternatives to voracious, destructive neoliberalism.

It was a victory, too, for the Bolivarian Constitution of Venezuela, the only constitution that permits such a recall referendum for the president.

But it was mainly a victory of the people, not only the popular organizations and the people of the poor neighborhoods but also members of the middle classes who immediately responded to the president's call by organizing themselves.

A new stage of the Bolivarian revolutionary process has begun. The opposition has been defeated in this battle, but the war has not yet been won. Before discussing this new stage and the challenges

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facing the revolution, it is important to put these in a historical context.

The Socioeconomic Context

Venezuela, the fifth-largest oil producer in the world, has been historically a society of great inequality. While an oligarchy enjoyed an extraordinarily high standard of living, 80 percent lived in poverty. When then-president Carlos Andrés Pérez proposed a package of neoliberal reforms in February 1989, a popular explosion occurred. The poor came down from the hills and attacked supermarkets. The armed forces restored order by firing on the people, killing thousands. Some poor people began to wake up.

It was clear that the neoliberal measures brought deepening poverty. Masses of peasants migrated to the cities, real wages dropped substantially, and the informal sector ballooned.

In just three years 600,000 people migrated to the cities. The campesino labor force, rural peasants and farmers, shrank by 90 percent. The proportion of workers in the informal sector rose from 34.5 percent in 1980 to 53 percent in 1999. The industrial labor sector decreased. After 1989, partial or total privatization of the telecommunication, ports, oil, steel, and airline sectors reduced employment in strategic industries and transferred ownership to foreign capital. Subcontracting and outsourcing added to the problem. Economic inequality and unemployment grew with unemployment levels reaching 15.4 percent. Real wages fell substantially, and social fragmentation worsened considerably. Multiple popular organizations were formed, but they did not achieve a national presence. Only 17 percent of the union movement remained organized, and it no longer represented the popular sectors.

The economic crisis brought with it a political crisis. Corruption reigned as skepticism about politics and politicians grew, and apathy was everywhere. There appeared to be no way out.

In this context Hugo Chávez won 56 percent of the vote in the presidential elections of December 6, 1998. The people, tired of corruption and increasingly skeptical about traditional politics, bet on a candidate who represented something new.

The former lieutenant colonel had become known in the country as leader of the Bolivarian movement in the military. The Revolutionary Bolivarian Movement, MBR 200, attempted unsuccessfully on February 4, 1992, to overthrow President Carlos Andrés Pérez for being corrupt and a traitor to the constitution.¹ When freed from jail two years later, Chávez began traveling the country to convince people that profound institutional change was necessary to end Venezuela's chaos, corruption, and inefficiency and to carry out the social and economic transformations that the

country needed so badly.²

Having abandoned the path of insurrection, Chávez sought power by the institutional route. A quarter-century after Salvador Allende's defeat in Chile, Chávez became the first Latin American president to attempt deep social and economic transformations by the peaceful road. But this time the peaceful road was taken with two elements that were absent from the Chilean process: Chávez was not disarmed—he had the support of the great majority of the military; and this time the process began with the fundamental premise that it would be necessary to change the rules of the game in the institutional sphere.

Stage 1: Creating the Institutional Conditions for Socioeconomic Transformation

As Chávez initiated his government, Venezuela faced complete international isolation. Neoliberalism had been imposed as the only model throughout the world. The socialist bulwark on which previous Latin American revolutionary efforts had counted had disappeared—and their main opponent, the United States, had become the first world military power without any counterbalance.

What was Chávez to do under these circumstances? He spent his first year in government trying to change the international correlation of forces³ (in particular, by strengthening the Organization of Petroleum Exporting Countries⁴) and consolidating his support at home. He launched an emergency social welfare plan to assist the most destitute sectors (Project Bolívar 2000) and adopted educational measures favorable to them: restoring free public education and promoting the creation of Bolivarian schools (full-day schools providing students two meals each day). Worried about the ideological preparation of the people he began a weekly radio program, which permitted him to speak directly to the people about the nature of the revolution (eventually this was also broadcast on television).

At the same time, he was creating the institutional conditions that would allow him to advance the necessary socioeconomic transformation.

All the while, the opposition worked to neutralize the new leader and to co-opt him. Although defeated at the polls, the oligarchy still had enormous influence: immense financial and economic power through the management of the state petroleum industry, *Petróleos de Venezuela* (PDVSA); a crushing majority in the legislative and judicial branches of government and numerous high-level allies in the provincial and city governments; near-monopoly control of the media; the support not only of the business federation, but also of the *Confederación de Trabajadores de Venezuela* (CTV), the most powerful national labor federation; and the allegiance of some high-

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ranking generals and some within the hierarchy of the Catholic Church who had close relations with the managerial elites. In addition to all this the oligarchy enjoyed close links to Washington.

Despite the great support for the newly-elected president from the broad popular sectors, the middle class, and the army, it was a very disorganized majority. In Venezuela, unlike Chile or Brazil, no strong leftist parties existed. The newly-created Fifth Republic Movement (MVR) had become the biggest party of the country, but it had attracted many opportunistic elements and was trapped in a constitutional process. The CTV, and generally the popular movements were weak and had been blatantly manipulated by the traditional parties. Under these circumstances Chávez had little choice but to rely extensively on the armed forces, the only national structure with which he could work to achieve his plans.

Internally, the government's first priority was to change the rules of the institutional game. Beginning with a referendum to convene a Constituent Assembly, the new Bolivarian Constitution was created. This anti-neoliberal constitution, which was overwhelmingly approved by the people, defined a new model of participatory democracy and a new economic model embracing cooperatives and worker self-management. Both models are fundamentally based on humanism and solidarity.

The next step was to shift the correlation of forces within the institutions of the government. In the July 30 mega elections (for the offices of the president, governors, mayors, and deputies to the National Assembly) the government achieved very favorable results.⁵

Thanks to these victories, Chavism now dominated the government, and the opposition, deeply divided, had little influence in the National Assembly. With the traditional parties in crisis, the mass media became the true party of the opposition.

The third step was to introduce the revolutionary legislation that would permit the constitution to realize its promise. But the legislative process proved excessively slow (due to the inexperience of Chavist deputies and the interference of the opposition). Finally, on December 10, 2001, the president used the Qualifying Laws, the special legislative powers granted to him under the Constitution, to enact forty-nine laws, among them the Law of the Land, the Fisheries Law, the Law of Hydrocarbons, the Law of Micro Credits, and the Law of Cooperatives. This package of laws demonstrated his determination to move the revolutionary process forward. The oligarchy, its economic interests affected for the first time, now lost hope that it could co-opt him as it traditionally had done with other politicians.

Foreseeing the offensive that the opposition would begin, and always thinking about how to improve the domestic correlation of forces, Chávez launched the Bolivarian Circles. He called upon the

supporters to organize themselves into groups of seven to eleven people to educate their neighbors about the Constitution and to take some concrete initiative: respond to the necessities of the neighborhood, form a cooperative, or get a loan from the bank. Without popular participation, he understood, the revolution would run out of fuel.

Stage 2: The Oligarchy's Offensive and the Government's Response

The opposition did not wait for Chávez to carry out his plans. It undertook the first steps of a great offensive to end his mandate.⁶ It organized massive demonstrations and attempted a general strike on the day that the forty-nine laws were enacted.

At this moment political conditions were much less favorable to Chávez than they had been earlier. Luis Miquilena (then Minister of the Interior, who had been Chávez's key political organizer at the beginning of the process) was removed by Chávez after he declared his opposition to enacting the forty-nine laws and assumed the role of a leading opposition figure. The loss of his political general was a severe blow for the president, especially since his departure was imitated by many followers. In this way the government lost its overwhelming majority in the National Assembly and its control of the judiciary. Many high magistrates linked to Miquilena moved openly to an antigovernment position, uniting with those who clearly shared the political positions of the opposition. Many deputies abandoned the Chavista bloc. In this period, the mobilizations against the government increased and the opposition's self-confidence grew.

The events of April 11, 2002, and the subsequent days are well known and we will not discuss them further. The failure of the military coup, in which more than 80 percent of the generals with operational control remained loyal to Chávez and the Constitution, constituted the *first* great defeat of the opposition and a true gift for Chávez.

These events exposed the actors, and the people's political understanding grew as they saw who within the military and among political cadres had revealed themselves. These circumstances made it easier to purify the military, divided the opposition, and led sectors of the middle classes, who had previously opposed the Bolivarian revolutionary process, to contemplate the chaos that could accompany Chávez's defeat.

Most importantly, the popular organizations grew quickly. Bolivarian Circles multiplied throughout the country, adopting more varied forms. New organizations emerged, such as urban land committees and specific middle-class groups of doctors, teachers, and lawyers. Further, union leaders from various industries, critical

of the complicity of the CTV, accelerated their efforts to build an independent labor force to support the revolutionary process. The various left parties that had supported Chávez, but with very critical attitudes, decided to build a common front in support of the government. Lastly, a transformative process that had neither been well understood nor highly valued by the left and progressive forces throughout the world now attracted their sympathies. The violently counter-revolutionary nature of the opposition could not be explained except by the existence of a true revolutionary process. International sentiment against the coup grew.

The overwhelming victory, whose main heroes were the people joined with the armed forces, did not give way to a counteroffensive by the government as many predicted. Chávez considered it necessary first to take stock of his strengths. Although the coup had been defeated and the Constitution had been reestablished, it was not clear at the time how much support there was for continuing to advance the revolutionary process. Therefore the first task was to consolidate his forces to defend against a second coup attempt. In particular, he dedicated himself to purifying the military. Further, as conciliatory gestures toward the opposition he named ministers in the economic sphere who were more acceptable to the business community and he restored the previous opposition directors of PDVSA. In addition, he accepted the revision of some of the Qualifying Laws and the establishment of a roundtable for dialogue with the opponents of the Bolivarian process.

The opposition took Chávez's actions as a sign of the government's weakness. It began to regroup its forces, and when the courts freed the perpetrators of the military coup it proceeded to engage in various destabilizing actions and settled on the strategy of an economic coup. They called for a national general strike on December 2, 2002. Their objective was to paralyze the country, forcing Chávez to resign. They focused on stopping the production and distribution of petroleum.⁷ And, where they could not achieve this, they resorted to sabotage. They expected Chávez would be gone before Christmas.

However, with the firm leadership of President Chávez and the exemplary behavior of not only the oil workers but also the rest of the workers and the people who overcame the hardships of those days, the opposition suffered its *second* great defeat. The country had not stopped. Chávez had not given in. And now the petroleum industry really came under the control of the Venezuelan state. This was the second gift of the opposition. Through their subversion and sabotage approximately eighteen thousand upper- and middle-level managers (who had in fact controlled the company) provided the legal conditions necessary for their dismissal.

Most important, each new attack of the opposition made the

people more politically conscious and prepared to take initiatives. The attacks multiplied organizations like the Bolivarian Circles, urban land committees, and assemblies of citizens. They also gave rise to new forms of popular organization: motorcycle couriers; groups that reopened the schools the opposition had closed; agrarian and fishing groups organizing for their rights; consumer groups organizing to boycott the opposition's mass media; groups that protected the gas stations; groups that escorted trucks and defended the petroleum facilities from possible sabotage by the opposition and that ensured the appropriate distribution of gas; groups that surrounded Miraflores Palacio and mobilized in its defense against any threat of the anti-Chavistas; and circles that worked to help the neediest through the difficult times created by the economic coup. The Positive Middle Class movement in support of the government was born in these circumstances.

The president continued to enjoy wide popular support and the active support of the armed forces who recovered ships and protected the centers of production and distribution of food and fuel. As a result, by February 7, 2003, slightly more than two months after the beginning of the oil strike, the president was able to announce that the attempt at destabilization had failed.

Nevertheless we cannot forget the incalculable economic damage caused by the opposition's actions. Even today the Venezuelan economy has not completely recovered.

Stage 3: The Arduous Referendum Process

The Carter Center, the "Group of Friends" (countries including the United States), and the Organization of American States all pressed for a dialogue between representatives of the government and the opposition. On May 29 there was an agreement to look for a peaceful resolution to the crisis.

Both sides agreed on the means to resolve the crisis, which was to employ the legal instrument spelled out in the constitution: the recall referendum. The opposition was confident it could win through a referendum given the many polls that indicated that Chávez's popularity was declining among the middle classes, the political cadres who had supported him initially, and the popular sectors whose lives had not changed despite the promises of the revolution.

However, with the failure of the economic coup and the beginning of economic recovery (especially the recovery of oil production) the government began to gain strength. In April 2003 Chávez announced that he had resumed the offensive. From that moment he began to create several campaigns (called missions) to support people in the most neglected social sectors. These programs aimed to open clinics in the popular neighborhoods⁸; launch literacy

campaigns⁹, expand middle and higher education, create the Bolivarian University for those students who had been excluded from higher education¹⁰; and offer nutritious products at prices that were much lower than those available commercially¹¹—each program was warmly welcomed by the population and won new followers to the process.

The referendum process began with the gathering of signatures at the end of November. To trigger a recall referendum under the constitution requires the signatures of 20 percent of those who had voted in the election of the officeholder. This process was carried out in two stages: first, for deputies of the opposition that the Chavistas wished to recall (many of whom had been elected as Chávez's supporters) and, second, for Chavist deputies and the president. So many irregularities occurred in the second process that the president denounced the existence of a mega fraud. This began a difficult process of examining the sheets and the signatures collected.

Finally the National Electoral Council (CNE) concluded that, in addition to those signatures entirely rejected, more than 800,000 doubtful signatures of the opposition needed to be verified and that they should undergo a "repair" process during May 28-30.

On June 3, the CNE announced that the opposition had obtained barely a sufficient number of signatures to trigger a referendum.

How was Chávez to respond? Many Chavistas were convinced that there had been an enormous fraud and that the opposition in fact had not reached the required signatures. They argued, therefore, that Chávez should refuse to recognize the result. The opposition (believing the characterization of Chávez that they presented in their own mass media) expected that Chávez would reject the results of the constitutionally mandated procedure and prove to the world that he was antidemocratic.

But, the president, contrary to these forecasts, accepted the decision of the CNE and masterfully turned the partial reversal into an overwhelming victory.

With his characteristic optimism, which he has always been able to transmit to his followers, Chávez called upon them to prepare for the electoral battle with great seriousness. He understood that for an electoral victory to be decisive it would have to be won by an overwhelming margin. And he knew that goal could only be achieved if everyone who supported the process was committed to getting out the vote.

The question was how to do this without a political apparatus capable of mobilizing all the popular support. Unfortunately, the Commando Ayacucho, the electoral coalition of Chavista parties and movements created in October 2003, had so far functioned poorly. Sectarianism, patronage, favoritism, inefficiency, the inability to

correctly evaluate situations, and the lack of transparency had all combined to discredit the Commando Ayacucho among the people and barred it from playing a leading role in the coming battle. Only the president could take on this role, and he did this by communicating directly with his most committed supporters. He proposed the organization throughout the country of electoral patrols. The members of these units of ten political or social activists would each work, house by house, to convince ten more people to vote against the recall. Each patrol, therefore, would be responsible for working with a hundred people.

While he called upon the people to organize at the grassroots, the president appointed the national leadership for the electoral campaign (The Commando Maisanta). Their composition is interesting, aside from several ministers and a very few political cadres, the majority were artists, academics, and social communicators who had not previously participated in politics. These new faces, untainted by the past, lent prestige and freshness to the campaign.

And although the state and municipal directors of the campaign in many cases were guilty of the same bad habits that had plagued the Commando Ayacucho and were thus the weakest part of the structure, happily they had little influence in the work at the base or in the results of the campaign.

Although the president had insisted that organizations of up to twenty persons be created in each electoral area to carry out the struggle and that the Units of Electoral Battle (UBEs) be selected democratically by the base, in many places there were problems with top-down selection. Nevertheless, what was critical is that people at the base proceeded to organize themselves into patrols and campaign for the president. They carried out their tasks with the dedication and love of those who know that the future of their leader and of the revolutionary process rests in their hands.

Many of these patrols were not strictly as Chávez had envisioned: They were not composed of political or social activists, but with inexperienced supporters of the process. Rather than working the assigned electoral list they decided to organize street by street or building by building. They organized themselves according to where they worked instead of by where they lived. Still, there is no doubt that the patrols are the most significant organizational form through which the Venezuelan revolutionary process has lived. They allowed hundreds of thousands of supporters of the process to join together to carry out a concrete political task independently, regardless of the quality or lack of party leadership in their locale.

Many people, who were emotionally committed to the process, but until then had been inactive, took their first step into organizing and political activity. Thousands of anonymous beings contributed

their grain of sand. And so, too, did the political leaders who were able to put aside their personal projects to work closely with the base for a single objective: to defeat the referendum.

The Venezuelan people have emerged greatly strengthened from this living, practical experience. Their self-esteem has risen, and they have grown as human beings. Whatever is planned for the future must take that into account. This victory, more than an electoral, quantitative victory, is a moral, qualitative victory.

Stage 4: Consolidating and Deepening the Revolution

Chávez's electoral victory on August 15 is the *third* great defeat suffered by the opposition; it represents enormous support for the Venezuelan revolutionary process, and it makes clear the necessity of continuing the social transformations until they are irreversible.

What is the correlation of forces at this time, and how is it possible to improve it? The government is in a stronger position nationally as well as internationally. No one can deny the democratic character of the Bolivarian process and the great popular support behind Chávez. The media warriors are now out of ammunition. The opposition has been exposed and has lost much of its credibility (their analyses were revealed to be illusory, and they have demonstrated how separated they are from reality and the people). Further the splits in the opposition have become increasingly visible.

Under these circumstances, the more extreme members of the opposition may consider assassinating Chávez to be their only option, but it is an extremely risky one. Its predictable result would be the bloodiest slaughter on the continent since the Conquest, and its ultimate results are unpredictable.

We must not forget, however, the existence of those nearly four million people who voted to revoke the mandate of Chávez. One of the government's great challenges will be to win the support of a significant portion of those people (who are clearly not all members of the oligarchy!) as well as of those who simply stayed at home. Nor can the government afford to forget the expectations that this victory has created in the six million who voted for Chávez.

The Bolivarian revolutionary process faces a variety of challenges in this new stage: political, economic, institutional, and communicative.

The process must foster a qualitative leap in the active participation of the people. The president's strongest idea, that "poverty cannot be eliminated if we do not give power to the people," must be realized in the organizational forms and embodied in people and expressed through their concrete participation. For this, it will be necessary to perfect the instruments of civic participation set out in the constitution, but not yet put into practice because of the polarized situation. The government must

nurture the neighborhood meetings with the best popular activists and push for the implementation of the local planning councils and social accounting. And to the degree that new leaderships arise and some of the old ones consolidate, it is necessary to advance toward a more and more collective manner of working. Fidel is right when he says that Chávez cannot continue being the mayor of all Venezuela, and the president himself agrees emphatically.

Further, it is necessary to overcome the political baggage inherited from Venezuela's Fourth Republic and create in its place the political forms appropriate to the new period. All the organizational experience and popular participation of the recent electoral campaign must not be lost. The patrols and UBEs must learn to coordinate their work, and this should be discussed in local assemblies. Where the UBEs have not worked well, they should consider ways of improving their efficiency. The cumulative experience, the knowledge gained, and the changes in people's thinking should help build a great political front bringing together all the militants that identify with the Bolivarian project. The electoral patrols should be transformed into social patrols that invite all interested community members to discuss and analyze social problems with them. There should be a place in the revolutionary project for all who feel themselves to be patriots, who love Venezuela, without first requiring them to be a member of a Chavist party. It is necessary to ensure that everyone feels useful. There is much to do in this country, and the more people can be organized and mobilized, the quicker they will be able to advance. The radicalism of work in the process depends not on the radicalism of the discourse but on the capacity to mobilize and involve actively the broadest spectrum of people.

What kind of political organization could emerge from the referendum experience? It is essential, I believe, to overcome the dispersion and isolation of the immense numbers of potential militants by creating a space for all those people who are not part of a particular political or social organization. Some of the characteristics of this new type of political organization should include: being much more than the sum of parties and popular social organizations; not repeating disputes over positions at the leadership levels; those who organize at the base should be represented at every level in proportion to the work they have carried out at the base; and all patriotic forces without exclusion must be united around a unique program.

This new political organization must swim in the sea of social movements. It should begin with clear rules specifying the rights and duties of all members, establishing mechanisms for the base to control the leaders. The goal should be to grow not simply by building coalitions between organizations but primarily through

organizing from below. This political organization should stimulate the emergence of an authentic leadership that is broadly respected.

It is necessary also to build a unifying organization for workers. There are still too many divisions and the old habits persist. It seems indispensable to discuss the new type of trade unionism that will be required to face the radical changes that the working class has undergone in the last decades and to reflect on the role of Venezuelan workers in the revolutionary process.

It is also necessary to advance in the development of an alternative economic model and for this state initiative is essential. Therefore it is necessary to consolidate big government enterprises in the strategic areas: petroleum, electricity, telecommunications, finances, the distribution of food, and transportation. These enterprises must be governed not by the logic of profit, but rather by a logic of humanism and solidarity, and the workers must play a leading role in assuring this. At the same time, it is necessary to expand on a grand scale the popular economy through cooperatives and associations of the most diverse types that allow the workers to provide leadership in the process and thereby transform the relations of production.

Simultaneous transformation in both the large enterprises and the popular economy is fundamental to solving the problem of unemployment and disguised unemployment in the informal sector—one of the most serious problems affecting the poor. A critical step in this direction is Mission Vuelvan Caras—a combination of state initiatives and cooperatives created to foster endogenous development (by creating centers of development oriented to internal requirements and also by technically and organizationally preparing the work force to master these tasks). This mission must be consolidated and expanded if the problems of the economy are to be resolved. Precisely because solving the problem of unemployment quickly is one of the highest priorities, it is also necessary to encourage the reactivation of that portion of the private sector that is willing to cooperate with the government's endogenous development and foster the development of mixed companies.

Venezuela's endogenous development project will only be able to fulfill its potential if Latin American is able to achieve its own economic integration. As an alternative to the Free Trade Area of the Americas, which the United States is trying to impose, Chávez has proposed the Bolivarian Alternative for the Americas (ALBA), which will be guided by the logic of humanism and solidarity that characterizes the Bolivarian project. Thus, the creation of ALBA is another of the important economic tasks of this new stage.

Further, it is necessary to make gains within government institutions. In this sense the next elections of governors, mayors and councilors, at the end of October are very important, and the

parish elections and elections of deputies to the National Assembly that will take place next year are even more so. If a clear majority is not achieved in those institutions, compromises with sectors of the opposition will be necessary to permit these institutions to function.

Especially, it is necessary to advance in the transformation of the state to overcome the limitations of the Fourth Republic. As Ali Rodríguez (president of PDVSA) said last April, "we have a revolutionary government but we don't still have a revolutionary state"; this explains why Chávez's missions have had to be carried outside the structures of the corresponding ministries. It is essential now that these be included in a new model of the state. For this, it is necessary to restructure ministries and to create new ones. The essential thing is that government institutions must stop being bureaucratic mazes in the big cities and be brought to where people live and work, where people can exercise social control of public administration. People need to be informed about the resources available and the means by which they can exercise control—it is the only way to overcome the scourge of corruption, another of the high-priority tasks in this new stage. Transparency is absolutely fundamental.

One of the biggest challenges the government faces is that of reaching the hearts and minds of those millions of Venezuelans who up to now have not identified with the Bolivarian project. Many people, especially among the middle classes, have been deceived by the media. They have been convinced that Chávez is a dictator who wants to "Cubanize" Venezuela, destroy private property, and make the middle classes disappear. Furthermore, they have been told that he has no respect for union freedom, that he attacks journalists, and that he's responsible for the climate of violence in the country. All are absolutely false accusations. What many of the four million who voted to recall Chávez reject is not the project of Chávez but a totally distorted cartoon of that project produced by the opposition mass media. Communicating the truth of Chávez's project to all the people is one of the biggest challenges the government faces if it is to create the political conditions necessary for the process to advance.

It is essential that the government find a way to ensure that the distortions of the mass media no longer substitute for reality for so many Venezuelans. The opposition media must communicate information not disinformation. With the international support produced by the referendum result, the government should vigorously defend the right of the people to be correctly informed. There is no democracy without an informed people. All the media, including those of the state, should undergo a profound transformation process. The state media must quickly expand its capacity to reach all of the country and work more efficiently. The

alternative community media, which reflect the concerns and interests of their communities, must be reinforced. Finally, a television station for the South must be developed as soon as possible—to communicate a true picture of Venezuela throughout Latin America and also to provide an alternative source of international news for Venezuelans.

Consider these four challenges, political, economic, institutional, and communicative, in the current period. They have a common element. They are not a call for an immediate end to capitalism. Rather, each has to do with developing the capacity of the people for a more conscious and active participation in the life of their country—politically, economically, through the state, and ideologically. Only this development will advance the Bolivarian revolutionary process in a sure way and make the transformation irreversible.

Notes

1. These military people decided to act against Carlos Andrés Pérez after he threw them against the people to control the popular outpouring of protest motivated by hunger and the poverty, February 27 1989, in what is called the "Caracazo."
2. Marta Harnecker, *The Left at the Threshold of the XXI Century: Making the Impossible Possible*, published in Spanish by Siglo XXI Editores, 3rd. ed. 2000, pp. 70–74.
3. The term *correlation of forces* refers to the relative strength of contending sectors based upon their economic power, the number of adherents, the number of activists, their capacities for organization, the degree of self-awareness, and their level of military support among other things.
4. In this sense Venezuela has fostered South American and Caribbean integration processes; it has privileged the relationship with its partners in OPEC and has come closer to other poles of power in the world such as India, Russia, and China, strengthening at the same time, its bonds with the forums of emergent nations including the Group of 15 and the Group of the 77 for South-South cooperation. Marta Harnecker, *The Left After Seattle* (Madrid: Siglo XXI España, 2001), includes a chapter about Venezuela where you can find more information about the first stage.
5. It is symptomatic that Chávez has been accused at the international level of being a dictator when he has been the leader with the most popular consultations carried out in the world in so short period of time: eight if we count the recent recall referendum: elections for president of the republic (December 1998); referendum for creation of the Constituent Assembly (April 25, 1999); election of the constituents (July 25, 1999); approval of the new constitution (December 15, 1999);

- president mega-elections, deputies, governors and mayors (July 30, 2000); councilmen's elections and members of the parochial meetings (December 3, 2000); union elections (August–October 2001); recall referendum (August 15, 2004).
6. Marta Harnecker, "Venezuela. A Sui Generis Revolution," paper presented in the LAC Seminary, III World Social Forum, January 24, 2003. In this article there is more information about the two first stages, especially the second one.
 7. Through their technical knowledge and absolute control of the flow of information within the company, the high executives of PDVSA modified the access codes, interrupted processes, and seriously damaged some facilities which would have exploded if the new highly-qualified personnel had not discovered that they had sabotaged the temperature regulation systems. Lastly, when in spite of everything production continued, albeit slowly, they blocked the internal and external transport of raw materials. They prevented the movement of ships for two weeks.
 8. On June 7, 2003, the medical clinics in Caracas were inaugurated.
 9. On July 1, 2003, the Mission Robinson began.
 10. On July 29, 2003, the Bolivarian University of Venezuela was inaugurated in Caracas.
 11. The government created popular markets called MERCAL, which now provide 35 percent of the food that is sold.



The Greening of Venezuela

DAVID RABY

With all the hullabaloo about Chávez's alleged authoritarianism, opposition strikes and demonstrations, and a possible recall referendum, you could be forgiven for thinking that nothing constructive is being done in Venezuela and that the nation's energies are entirely absorbed by political mud-slinging. Indeed, that's just what the corporate media would like you to think.

But go to alternative Web sites like www.venezuelanalysis.com, www.zmag.org/venezuela_watch.cfm, or www.rebellion.org, and you'll find reports on literacy campaigns, health clinics in poor neighborhoods staffed by Cuban doctors, community-based housing programs and agrarian reform. Venezuela is undergoing a social transformation the likes of which have not been seen in Latin America since the early years of the Sandinista revolution in Nicaragua.

Agrarian Cooperatives

In the past fifteen months the government has begun to redistribute uncultivated land from private estates or public lands to poor peasants and landless laborers. In a repeat of the agrarian reform programs carried out decades ago in several Latin American countries, some 2.2 million hectares (5.5 million acres) has already been distributed to 116,000 families organized in cooperatives.

This alone would be remarkable in today's globalized world, where the very idea of cooperative or collective agriculture has been dismissed as outdated and inefficient, and countries like Mexico have dismantled long-established rural cooperatives and opened their agricultural sectors to the unfettered play of the free market and the consequent domination of private agribusiness.

But the Venezuelan agrarian reform goes beyond satisfying peasant land hunger and alleviating poverty. It is based as far as possible on organic practices and is intended as the foundation stone of an entirely new social and economic model, oriented

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towards self-sufficiency, sustainability and "endogenous development."

Fighting Bureaucracy

Chaguaramal is a newly-cultivated strip of land surrounded by tropical forest and isolated poverty-stricken communities, a few kilometers inland from the Caribbean. Here 144 families have so far benefited from the creation of a SARAO or Self-Organized Rural Association. The Ministry of Planning and Development first provided land, funds and equipment, and people from nearby villages began to organize the new community on a cooperative basis.

But at first the ministry delegated implementation of the project to a bureaucratic public corporation, CORPOCENTRO, which imposed technical decisions without consultation. Only in August 2003, when the INTI (National Land Institute) took over responsibility for projects of this type, did Chaguaramal take on the characteristics of community self-organization as originally intended. "We listen to the communities, we open our doors to them so that they can bring to life their own projects and dreams," says Silvia Vidal, the INTI official now responsible for the SARAOs.

The new settlement (*asentamiento*) consists of attractive houses built by the residents themselves with materials and technical assistance provided by the state, there are carefully cultivated gardens, a school, a health center and a child care center. A variety of crops are being produced as well as livestock and fish, and we were treated to a delicious fish barbecue. The community prepares its own compost and is already recycling most of its waste.

"I'm a member of the SARAO, I joined on April 15, 2002," says Gelipsa Rojas. "My area of work is worm composting, which will give us organic fertilizer...so as not to use chemical fertilizers.

"At first [under CORPOCENTRO] they only paid attention to the men, we women stayed at home and only did housework. When the INTI arrived, things changed. There is still machismo but we are gradually getting rid of it. This worm-compost project is run only by women. Now the men help with the housework, we're both responsible for it."

Chaguaramal is in the state of Miranda, with a governor ferociously opposed to Chávez and the revolutionary process, and so everything achieved in the new settlement has been done despite systematic obstructionism by the state government. In a neighboring hamlet called Buenos Aires which was not initially included in the project, opposition politicians turned people against the cooperative,

saying that it would do nothing for them and would be run on principles of "Cuban slavery." But now several families from Buenos Aires have been incorporated into the SARAO, and everyone can see its benefits.

Developing the Interior

Hundreds of kilometers away, over the coastal mountains and in the Llanos, the sweltering tropical plains of the interior, we visited a major development project which reflects the aim of the Chávez government to move people and resources away from the coastal cities. The Ezequiel Zamora Agro-Industrial Sugar Complex (CAAEZ) is centered around a state-of-the-art sugar mill now under construction with Cuban technicians and Brazilian equipment, a reflection of the desire for Latin American collaboration. The complex and its associated agricultural cooperatives will produce not only sugar but rice, yucca and other crops in order to promote agricultural self-sufficiency (Venezuela, chronically dependent on oil revenues, imports 70 percent of its food despite having abundant fertile land).

As long ago as 1975 this area was designated as ideal for sugar production—cane yields here are several times higher than in Cuba or Brazil—and a first-class irrigation system was built but then abandoned due to corruption under previous governments. Then in the 1990s a Costa Rican investor offered to go into partnership with local farmers, making loans for them to produce cane and promising to build a mill, only to abandon the project and take the funds, leaving them in the lurch—"I was one of those who sowed cane and waited nine years for the first harvest, and was unable to harvest the cane because of that gentleman..." declared Francisco, a member of one of the associated cooperatives, bitterly denouncing this example of capital flight.

But now the CAAEZ project is well advanced: a huge undertaking which will eventually employ 15,000 workers, it comprises the sugar mill and other industrial plants as well as the agricultural area. Here too organic methods will be favored: among other things, sugar-cane bagasse will be composted and supplied to mixed-farming cooperatives. All of the new social programs are also being implemented here, such as the literacy program (the Robinson Mission) and the Into the Neighborhoods Mission with its health clinics staffed by Cuban doctors.

The Greening of Caracas

But the greening of Venezuela is not limited to the countryside: in the heart of Caracas, just behind the Hilton Hotel, an abandoned

strip of land has been turned into an *organopónico*, an organic garden for the intensive production of lettuces, tomatoes, and an impressive variety of crops for the urban market. Unemployed people from nearby shanty-towns are given work here and trained as agricultural specialists.

Urban agricultural plots like this are springing up in cities across Venezuela and further contributing to the aim of self-sufficiency. When the project began it was ridiculed by the *escuálido* opposition, who said it was impossible to produce food here, or that it would be uneconomic. But now people from wealthy neighborhoods themselves buy the produce when they can get it (which is not easy since demand is so high).

A New Socioeconomic Model

Agrarian reform, cooperative enterprise, organic agriculture, use of local resources—these are all features of an entirely new socioeconomic model for Venezuela. The model is summed up in a program called the “Vuelvan Caras” Mission (a term almost impossible to translate), which attempts to coordinate all the other programs and missions: it provides government assistance in the form of technical advice and funds derived from oil income, for agricultural, industrial and commercial cooperatives, generating employment and training. It encourages local initiative, self-sufficiency, sustainability and “endogenous development,” development from within and from below, with popular participation. The leading role of women, blacks, and indigenous people is also explicitly promoted.

This new model will take years to develop, but it is already under way and being promoted with great enthusiasm. It does not exclude possible nationalization of some major industries, but it points in a direction which challenges both globalized capitalism and state socialism of the traditional variety. It is also the foundation of the Bolivarian Alternative for the Americas (ALBA in its Spanish acronym), which Venezuela is proposing as a progressive alternative to the U.S.-sponsored Free Trade Area of the Americas. This is why Washington hates Chávez: not because of his revolutionary rhetoric, not because of any threat to “democracy,” but because the Venezuelan process offers a real alternative to U.S. plans for the hemisphere.

The Disciplinary Apparatus of Welfare Reform

JANINE FITZGERALD

In 1996 President Clinton signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), to end "welfare as we know it." PRWORA, euphemistically referred to as "welfare to work" or simply "welfare reform," has fundamentally changed the status of women within U.S. capitalism. Historically, women's roles in the sexual division of labor have been to reproduce the laborer (cook and keep house) and reproduce the labor force (have children). If women had to work in the formal labor force, then society demanded that they hold jobs appropriate to their gender. There has always been a gender-based social discipline of women whether they were wage earners or homemakers. It is interesting to note that still today beauty contests, sexual harassment, and compulsory use of birth control pills are all forms of discipline enforced on women in many third world factories. Of course, sexual harassment is common in the workplaces of the rich capitalist countries as well.

Early forms of cash assistance programs actively discouraged women's participation in the formal labor force. Women were to stay home and care for their children. From its inception in 1936, Aid to Families with Dependent Children (AFDC) stripped benefits from women who earned too much money or were found living with wage-earning males. The new welfare to work program, however, while still enforcing many of the traditional patriarchal attitudes, forces women to abandon their children to daycare and enter the low-skilled job market. As a result, this program subjects workers to a whole new level of control and competition.

Women and Patriarchal Discipline

Historically women's bodies have been subjected to enormous discipline, but that discipline has centered on their roles as mothers and sexual partners. Historian Howard Zinn has noted that women in societies based on private property and monogamous families occupy a special status somewhere between house-slave, sexual partner, child bearer, and weakling.¹ The female character in

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Charlotte Perkins Gilman's *The Yellow Wallpaper* (1892) is thus urged not to think or write. Women have been taught to treat their bodies in accordance with perceived male desires. While women have always worked, whether for wages or as slaves or indentured servants, their work has been organized by men and always subordinated to stereotypical beliefs about gender. For example, male heads of households organized systems of production in early colonial economies in which all families contributed to the economy of the community and individuals living outside of a family unit were taxed.² Strict patriarchal notions identified the roles of women within both the systems of production and social reproduction.³ As women and girls entered the wage-labor systems in the United States, their behavior was still regulated through patriarchal norms. Textile mill owners of the Northeast sought to recreate the paternalistic living arrangements of the home in residential dormitories and on the factory floor.⁴ Subsequent sexual divisions of labor in the labor market sought to reinforce women's status as homemakers. Only jobs that were seen as similar to work that had traditionally been done in the home—including textile work, teaching, child care, cooking, and nursing—were regarded as acceptable occupations for women.

The first social policies that were oriented toward the poor differentiated between men's work and women's work and sought to encourage men to be paid laborers and women to be homemakers. Except during times of economic depression, most people in the United States have viewed poverty as a result of individual moral failures. Social policies sought to correct these deficiencies by instilling values of thrift, religious observance, hard work, and temperance, each fitted to the socially defined roles of each gender.⁵

The Social Security Act of 1930, which included Aid to Dependent Children (later to become Aid to Families with Dependent Children, AFDC), essentially created a two-channel welfare state: one for workers covered by social security and workmen's compensation and another for mothers and widows.⁶ Whereas the Social Security Act created a safety net for workers, it relegated poor mothers to a place of poverty and dependence. Paid labor was prohibited or discouraged, and women were punished for earning too much. Social welfare critic, Mimi Abramovitz, described this as an unequal partnership between the state and mothers whereby women were able to trade in husbands in return for the state providing them a temporary and meager social wage.⁷

Although AFDC did not provide enough for single women to raise their children with dignity and security, the cash assistance became an important part of the survival strategies of the poor. Women would receive welfare and work under the table or leave welfare for a job or marriage, and then go back on welfare when an

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economic crisis struck.⁸ Ultimately AFDC gave priority to, indeed gave entitlement to, poor women staying home to take care of their children, albeit in poverty.

Welfare Reform and Patriarchal Discipline

While the entitlement portion of AFDC is gone, many of its inherent degrading attitudes toward poor mothers survived the reform. In fact, the attack on welfare was justified by the perceived immoral activity of welfare recipients. Ronald Reagan blamed crack babies, juvenile delinquency, and divorce on welfare. Politicians and officials in the states in the early 1990s became hysterical about women's behavior during pregnancy, and prosecutors in over thirty states arrested women who gave birth to infants who tested positive for exposure to cocaine, heroin, or alcohol.⁹ Women were charged with feticide, homicide, and assault with a deadly weapon (cocaine). Some women were handcuffed, shackled, and taken to jail while still bleeding from birth.¹⁰

The media aided and abetted this campaign by drawing a strong connection between crack, race, and welfare in the minds of the American people.¹¹ Women were actually believed to have babies for the increase in their welfare checks. As a *Newsweek* reporter wrote, "Legislators hope that cutting off benefits to teen mothers will force most girls to change their minds about having babies. Sure enough Julia Leslido, a 17 year old welfare mother from Elizabeth New Jersey says that if the government abolished aid, 'I would prevent myself from having more children.'"¹²

Under welfare reform a good mother is now one who works as well as obeys traditional patriarchal norms. Donna Shalala, secretary of the Department of Health and Human Services under President Clinton, said, "If able-bodied women refuse to comply with work requirements they should lose their welfare benefits and the children should be taken away from the parents and placed in foster care or group homes or put up for adoption."¹³ Her successor, Tommy Thompson, also advocated placing children in foster care if their mothers refused to work.¹⁴

President George W. Bush goes a step farther in subordinating welfare to patriarchal notions. Whereas AFDC sought to help single mothers raise their children, Bush believes that mothers should not be unmarried at all. The White House proposal to reauthorize welfare reform states:

Although our policy must and does continue to support single-parent families, national policy must do a better job of promoting healthy marriages. Rather, it is simply wise and prudent to reorient our policies to encourage marriage, especially when children are involved. For this reason, the Administration plan commits up to \$300 million per year for states to design and implement programs that reduce nonmarital births and increase

the percentage of children in married-couple families. The Administration's approach to promoting marriage is to provide financial incentives for states, often working together with private and faith-based organizations, to develop and implement innovative programs.¹⁵

Welfare to Work programs present poor women with a stark choice. They can abandon their children to poorly-funded daycare programs to work at jobs that will not provide security, or they can fully embrace traditional notions of gender and get married, although marriage has never proven a sure way out of poverty.

Welfare and the Reserve Army of Labor

The reserve army of labor is a mass of human beings who will work under any conditions. For workers to accept subsistence wages (or less) and appalling working conditions, there must be a great number of desperate people competing against one another. Marx described the reserve army of labor as "belong[ing] to capital just as absolutely as if the latter had bred it at its own cost....It creates a mass of human material always ready for exploitation by capital in the interests of capital's own changing valorization requirements."¹⁶

Aid to Families with Dependent Children effectively removed poor women from the labor force and therefore the reserve army of labor. However, the move toward market-based social welfare policies, the end to entitlement programs, and the requirements of work-based assistance programs have reversed this, placing poor women back in the labor force and the reserve army of labor.

Falling rates of profit and overproduction have led to a reconfiguration of the labor market since the 1960s. As Marx recognized, capital has responded by seeking cheaper sources of labor with less security and power. Women have been a major part of the more flexible, docile labor force both nationally and internationally. Women now comprise approximately 43 percent of the labor force in the United States¹⁷ and are less likely to be downsized than their male counterparts.¹⁸ It is clear that women are a preferred source of labor in the new globalized labor market.

Policy analyst Chris Grover points out that welfare approaches to welfare reconfigure the reserve army, increasing its size and making it conform to the demands of the labor market: "'Workfarism' represents a reorientation of social policy to make it more 'in tune' with neo-liberal growth, for example the facilitation of flexible labour markets, through social policy in the pursuit of a competitive edge in global markets."¹⁹

Welfare reform has indeed increased the size of the reserve army of labor, made workers more vulnerable, and intensified competition for jobs among non-welfare low-wage workers. In 1996, Temporary Assistance to Needy Families (TANF) replaced AFDC and required states to have a specified and increasing number of women engaged

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in work activities within two years. The current welfare reauthorization under consideration would mandate states to increase participation rates to 70 percent by 2008 at forty hours a week. Economist Timothy Bartik estimates that welfare reform will add between one and two million people to the labor force during 1996–2005.²⁰ Sixty percent of welfare recipients left TANF after the first five years of welfare reform, and during 1996–2003 the number of single women holding a job increased from 65.9 percent to 71.8 percent.²¹ Labor force participation among single mothers without high school degrees jumped 15.4 percent since welfare reform as opposed to increases of only 1.2 percent among single mothers with bachelor degrees.²² These data indicate that welfare reform has indeed pushed poor, less-educated mothers into the labor market.

Welfare to work programs have made the poor even poorer and further removed them from access to social programs. Seventy percent of those leaving welfare are working in the services, especially retail and eating and drinking establishments. Their average wage is between seven and ten dollars an hour. The poverty gap, that is, the amount of additional income that would be required to raise the average income of poor families up to the federally determined poverty line, has grown from \$6712 to \$7483.²³ Furthermore, welfare recipients entering the labor market are finding it hard to access social programs such as unemployment insurance. Women in many cases, especially if they have been forced off welfare, lose access to critical medical and housing benefits, even though they are still eligible.²⁴ Furthermore, welfare recipients entering the labor market are often the first to lose their jobs during economic downturns. The Economic Policy Institute reports that 70 percent of former welfare recipients who have lost their jobs during the current recession are not eligible for unemployment benefits.²⁵ As a result, surveys show that 40 percent of current food bank recipients were once on welfare, and major cities report a 23 percent increase in requests for emergency food and a 13 percent increase in requests for emergency shelter.²⁶

Women leaving welfare to enter the labor market are competing for jobs with their fellow low-wage workers and to some degree displacing them. Maria Enchutegui of the Urban Institute estimated a 2 percent decline in low-skilled male employment as welfare recipients join the labor market.²⁷ Timothy Bartik speculates that those hardest hit by the welfare to work programs will be other non-welfare poor single mothers. Indeed he estimated that for every welfare recipient who gets a job, another poor woman will lose one.²⁸ Johns Hopkins University and the city of Baltimore began to employ welfare recipients for \$1.50 an hour as trainees, undermining the city of Baltimore's living-wage policy. Later commitments from the governor and the president of Johns Hopkins ended this practice; however, it is clear that welfare recipients will have a

competitive edge in the low-skilled labor market.²⁹

Welfare reform is expected to put downward pressure on already low wages. One study estimates a 1.5 percent decrease in wages for low-skilled jobs,³⁰ and another estimates a 10 percent decrease over the long term.³¹ Overall, as sociologist Sharon Hays points out, the real winners of welfare reform are the companies seeking to hire low-wage workers.³² Not only does welfare reform create a mass of poor women desperate to find work and feed their children, it disciplines all low-wage workers. Desperate men and women who do not receive welfare know that if they complain or demand better wages, they can be replaced by even more desperate welfare mothers.

Welfare Reform and Worker Discipline

Welfare reform not only increases the size of the reserve army, it also subjects welfare recipients to heightened levels of surveillance and discipline. Michel Foucault's discussion of the Panopticon in *Discipline and Punish: The Birth of the Prison* sheds light on how this is achieved.³³ The Panopticon was envisioned by philosopher and social reformer Jeremy Bentham (1748-1832) as a correctional facility designed so that prisoners could be observed and their behavior measured and recorded at any and at all times while the observer remained invisible. In this way the progress of the prisoner's moral reform could be closely monitored and penalties or rewards administered as necessary. Bentham believed that the prisoners' awareness that they were constantly visible without being able to verify when they were being watched would be a force for their moral improvement. Foucault describes this logic as the model for a generalized all-encompassing disciplinary power, which extends throughout modern society and acts as an internalized remote control to discipline individuals and control populations. We learn in school, the workplace, prisons and elsewhere to obey the clock and our superiors and behave as we've been taught while keeping a critical eye on ourselves and each other. Welfare reform acts as the Panopticon of the poor, a disciplinary apparatus that places them under intense scrutiny and compels them to become docile workers.

Time is constantly used as a means of control. Since no recipient is allowed to receive cash assistance for more than two continuous years or five years in a lifetime, recipients are constantly made aware of their progress in relation to time. Furthermore, all recipients must be work-ready under welfare reform, except in situations of disability. Recipients must get jobs within a certain number of days (thirty days is a common limit). Recipients are allowed some training programs, but these are limited to ninety days, and the welfare clock is always ticking. State welfare programs are also controlled by time. They must have a certain percentage of their clientele working a certain number of hours and finally off

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welfare completely within a given time period.

Recipients are required to report frequently to social service offices within drab government buildings. There, posters warning of the perils of welfare fraud and reminding recipients of the ticking welfare clock decorate the waiting rooms. In some places, applicants answer questions through bulletproof glass. Women are only allowed into the inner sanctum of locked doors after they have proven themselves needy and worthy of assistance through a dizzying set of applications. Recipients then meet with social workers or "technicians" to discuss their barriers to employment. Once these barriers have been identified—they are always found in the attitudes and habits of the applicant, never in the potential employer or the realities of the labor market—the recipient and the technician devise a plan to help the recipient get to work. This plan is called the Individual Responsibility Contract, and the recipient must sign it. Social service agencies subcontract with a number of programs and nonprofit agencies with which applicants must meet to "overcome their barriers to employment." Recipients then travel from place to place and meeting to meeting, juggling issues of transportation and childcare. Recipients are closely monitored at each appointment, and their progress is reported to social services.

Many of these training sessions would be laughable if they were not so degrading. Some of the "bad attitudes" identified include: never on time; have low self-esteem; dress inappropriately; do not know how to interview or fill out a job application; and, overall make bad choices. Welfare reform sets out to fix these problems by forcing women to attend training sessions and counseling them on life skills (under the threat of sanctions). One job readiness and training program on "work maturity" provides curricula in punctuality, attendance, positive attitude behavior, appearance, interpersonal relationships, and completing tasks. A faith-based program offers ten holistic tools, which include the vision tool, the faith tool, the discipline tool, the work tool, the responsibility tool, and the wealth tool to improve women's attitudes. A program in Wisconsin, on top of offering all the above, teaches classes on nutrition.

The social norm for women is now that of a working mother. Superwomen who both work and perform domestic duties are the new heroes and are constantly celebrated in magazines and television programs. Mothers who have gotten themselves off welfare and work two jobs as well as care for their children receive notice during presidential speeches. Those who fail to comply with the dictates of welfare reform find themselves visiting food banks and fighting to keep their children.

Poor mothers, demonized by society, are eager to distance themselves from the stigma of welfare by joining the ranks of hard-working Americans. Some recipients distinguish themselves from

other recipients by reporting neighbors for fraud. One recipient, while bemoaning the loss of time spent with her child said, "People need to get out there and quit being the bums of society and work and support their children." She continued, "If they don't have an education then they need to get over it and get out into the workforce."³⁴

A punishment and reward system enforcing every step of welfare reform extends far beyond the individual recipient. Sanctions punish both recipients and states. States which reduce the number of welfare recipients and reduce teenage pregnancy without increasing abortion rates are eligible for financial incentives. If states fail to reduce the number of welfare recipients, their total federal block grant may be reduced. Therefore states, and in some places, counties, face tremendous pressure to get women off welfare. Similarly, welfare recipients who do not comply with work requirements face a partial or complete reduction in benefits. The *Washington Post* reported that within a thirteen-month period, 38 percent of families leaving welfare left because of sanctions.³⁵ In 1997, more than one-half of Indiana's 14,248 cases were sanctioned off welfare; 40 percent of cases in Tennessee and 27 percent in Florida suffered a similar fate. Many states and counties actually seemed to be sanctioning recipients in order to meet federally-mandated welfare reductions. Reasons for sanctions include failure to provide the father's name to social services, failure to attend appointments and training sessions, and failure to work. In some cases social service agencies send out sanction letters without identifying the cause of the sanction. Then, the sanctioning process appears mysterious, arbitrary, and even more threatening to welfare recipients.

Conclusion

Women have always played a part in the reserve army of labor. However, AFDC in seeking to regulate women's role in social reproduction created a buffer between women and the labor market, effectively removing some from the reserve army of labor. Welfare reform forces poor women back into the labor force and creates a new disciplinary apparatus to train and regulate them. While many women and groups have organized to resist welfare reform, recipients still find themselves working longer hours than their peers. Like the slaves and indentured servants of the past, these women are expected to care for young children by themselves and work full days, too. This process creates a pernicious blend of Taylorism and patriarchy with detrimental consequences for all workers.

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WELFARE REFORM

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(continued from inside back cover)

personal responsibility to see that persons turned over by his government were treated in accordance with the minimal standards of legal process. When a writ of habeas corpus was filed with the Nepali supreme court the office of Nepali Prime Minister Deuba brazenly and falsely denied that Yadav and Magar were being held by the government. Finally, after nine months, it was reported on November 1, 2004 that Deuba's office had admitted to the court that "Yadav has been kept under custody in accordance with the legal order by the concerned official." No mention was made of Suresh Ali Magar and the prognosis is grim. Until proof to the contrary emerges we can only assume that, trained by the U.S. disciples of Professor of Torture Dershowitz, the Royal Nepal Army has committed yet one more heinous crime. Shyam Saran's responsibility is manifest.

The time has come for all Indian communists to see that a peaceful and progressive solution to the strife in Nepal and the northeast *alike* is impossible as long as the government imagines it can benefit from a junior partnership under the global imperium of the United States. There are lessons as well for Indian relations with Bangladesh, Sri Lanka and Myanmar (Burma). We read that U.S. Assistant Secretary of State for South Asia Affairs (and ex-CIA agent) Christine Rocca was meeting with foreign secretary Saran on October 21st as part of "phase-2 of the 'Next Steps in Strategic Partnership' (NSSP) with India." Memsahib Rocca has been central in the U.S. effort to militarise Nepal. Shyam Saran in his calmer moments has recognised that no military solution is possible in the Nepali situation, and it must by now be clear that the United States will obstruct all political solutions. The time has come for a vigorous challenge to the policy of "bilateral co-ordination" with the U.S. security agencies in *both* internal and external affairs.

Five O'clock, January 2003

ADRIENNE RICH

Tonight as cargoes of my young
 fellow countrymen and women are being hauled
 into positions aimed at death, positions
 they who did not will it suddenly
 have to assume
 I am thinking of Ed Azevedo
 half-awake in recovery
 if he has his arm whole
 and how much pain he must bear
 under the drugs
 On cliffs above a beach
 luxuriant in low tide after storms
 littered with driftwood hurled and piled and
 humanly arranged in fantastic
 installations and beyond
 silk-blue and onion-silver-skinned
 Jeffers' "most glorious creature on earth"
 we passed, greeting, I saw his arm
 bandaged to the elbow
 asked and he told me: It was just
 a small cut, nothing, on the hand he'd
 washed in peroxide thinking
 that was it until the pain began
 traveling up his arm

Adrienne Rich is the author of more than sixteen volumes of poetry and four nonfiction prose books. She is the recipient of numerous awards and prizes, including a MacArthur Fellowship and the 1999 Lannan Foundation Lifetime Achievement Award.

This poem is reprinted from her newest book, *The School Among the Ruins*, with permission of the publisher, W. W. Norton & Company, Inc. Copyright 2004 by Adrienne Rich.

and then the antibiotics the splint the
 numbing drugs the sick sensation
 and this evening at five o'clock the emergency
 surgery and last summer
 the train from Czechoslovakia to Spain
 with his girl, cheap wine, bread and cheese
 room with a balcony, ocean like this
 nobody asking for pay in advance
 kindness of foreigners
 in that country, sick sensation now
 needing to sit in his brother's truck again
 even the accident on the motorcycle
 was nothing like this
 I'll be thinking of you at five
 this evening I said
 afterward you'll feel better, your body
 will be clean of this poison
 I didn't say Your war is here
 but could you have believed
 that from a small thing infection
 would crawl through the blood,
 and the enormous ruffled shine
 of an ocean wouldn't tell you.

—2003

(continued from page 64)

the government is in control and where elections can be held is on the
 very ground that the U.S. military is standing on. Hence, the claim that
 the U.S. invasion and occupation of Iraq has something to do with the
 promotion of democracy is becoming increasingly difficult to sustain even
 at the heart of the U.S. empire and with the help of the most
 sophisticated propaganda machine that the world has ever seen. It is
 becoming more and more obvious as the antiwar movement originally
 claimed (though often mocked by establishment experts for being too
 simplistic) that all the blood shed in the war has been about oil, money,
 and power...and nothing else. It is capitalism and imperialism not security
 and democracy that the United States is seeking to promote in Iraq.

Given all of this, the responsibility of those of us on the left is clear:
 to get this message out in the clearest and strongest way possible with
 the object of stopping the new imperialist engine in its tracks.

Commentary from _____

Monthly Review

November 2004, Vol.56, No.6

Editors : HARRY MAGDOFF, JOHN BELLAMY FOSTER,

Founding Editors : LEO HUBERMAN (1903-1968) and
PAUL M. SWEEZY (1910-2004)

What was the principal motive for the U.S. invasion of Iraq? Few informed observers now believe that it was to eliminate Iraqi weapons of mass destruction. Months before the war in December 2002 we wrote in these pages: "Iraq today probably does not possess functional chemical and biological war capabilities since these were effectively destroyed during the UN inspection process in 1991-1998." In early October 2004 Charles Duelfer, the CIA's top weapons inspector, officially confirmed in a 918-page report delivered to two Congressional committees that Iraq had no weapons of mass destruction at the time of the U.S. invasion. All such "capabilities," his report indicated, had been destroyed or had simply "decayed" as a result of the 1991 Gulf War and the subsequent UN weapons inspection process. Of course even if it had been shown that Iraq had such weapons prior to the war this would not have justified the U.S. invasion, since numerous countries in the Middle East and elsewhere have weapons of mass destruction with the United States as the world leader in the possession (and use) of such weapons.

With the original rationale for the war in tatters, the powers that be have had no choice but to fall back more and more on the default justification: as is the case with all actions by the United States throughout its history, the real purpose of the invasion was to promote democracy. To the utter astonishment of the entire world outside of the United States and possibly Britain, this fantastic claim (fantastic both as an interpretation of Washington's motives and in its assumption that democracy can be imposed by force) is now proffered with a straight face by one authority after another and assiduously promoted by the corporate media. At the same time all suggestions that the United States might have had more crass imperialistic motives for the invasion, such as control of Iraqi oil, are systematically avoided by both the government and the major media.

Yet, however smooth the propaganda machine in a capitalist society, it is always rife with contradictions since the business class itself is unable to maintain a common front. Apart from the usual rivalries within business that lead to quite different stances creating ideological fissures, the goal of making money requires good information and at times an almost brutal frankness that frequently goes against the main ideological

requirements of the system. This is particularly the case for those connected to major investment-banking houses whose job is to provide information and advice on investment opportunities, pricing structures, etc. to their largely corporate clientele. Here the ability to strip away the veil of ideology is often considered a virtue. An example of such blunt telling-it-how-it-is can be seen in recent statements by Fadel Gheit, a leading oil analyst for the prestigious Wall Street firm Oppenheimer and Co. Linda McQuaig tells us in an article in the September 20, 2004, *Toronto Star* (based on her new book, *It's the Crude, Dude*) that Gheit simply smiles at the notion that oil was not a major factor in the invasion of Iraq, and quotes him as saying: "Think of Iraq as virgin territory....This is bigger than anything that Exxon is involved in currently...It is the superstar of the future. That's why Iraq becomes the most sought-after real estate on the face of the earth." In addition to its own oil, Iraq is strategically located so that the occupying power is well placed to dominate the other oil countries of the Middle East. Gheit explains: "Think of Iraq as a military base with a very large oil reserve underneath...You can't ask for better than that." And it is not just direct control of the Middle East that is at issue, since other regions such as Europe, Japan and China would be vulnerable to any power that has military, economic and political ascendance over the Middle East and its oil.

It is not difficult to demonstrate that this is the primary lens through which Iraq is viewed by those in the Bush administration. None other than Dick Cheney delivered a talk to the London Petroleum Institute in 1999 when he was still CEO of Halliburton. Focusing on the additional 50 million barrels of oil a day that the world was projected to need by 2010, he asked rhetorically, "Where is it going to come from?" His answer was that "the Middle East with two-thirds of the world's oil and the lowest cost is still where the prize ultimately lies."

U.S. corporate interests and the U.S. government have never been shy about explaining—at least within business circles—their postwar economic goals for Iraq, which were to start with a "Mass Privatization Program." Robert Ebel, former vice president of a Dutch-based oil exploration company, now connected to the influential Washington-based Center for Strategic and International Studies, makes it clear that U.S. corporations are prepared to invest tens of billions of dollars in Iraq and are insisting that Iraqi oil be privatized. "We're looking for places to invest around the world. You know, along comes Iraq, and I think a lot of oil companies would be disappointed if Iraq were to say 'we're going to do it ourselves.'" (These statements and other supporting information can be found in McQuaig's book.)

If the war had gone as planned the United States would have seized what control it wanted and few questions would have been asked. As it is, the Iraqis have launched a ferocious guerrilla war and the United States is now in the odd position of pretending it is promoting democracy and free elections in a country where practically the only place where

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(continued from inside front cover)

Two aspects of Mulford's "anti-terror" initiative are worth remark: the direct unblushing intervention of the U.S. security services in the Indian state's relations with the national insurgencies of the northeast; and the prompt and vigorous response of the left parliamentary parties. The Communist Party of India-Marxist (CPI-M) politburo said Mulford's offer was a "gross violation of norms and direct interference in the internal affairs of the country." "The U.S. ambassador has no business to write to state chief minister directly making such an offer, which involves the internal security of the country... Such problems in the northeast have a political dimension, and the U.S. ambassador's suggestion is an interference in the internal affairs of the country" - the statement said. "Involving the FBI should be out rightly rejected," said D. Raja, national secretary of the Communist Party of India - "It is totally unacceptable."

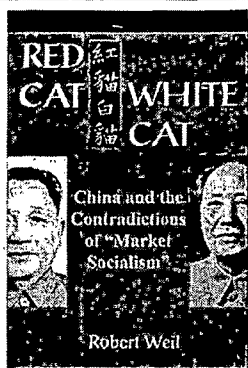
Let us be clear what "anti-terror" means to the United States. Professor Alan Dershowitz of Harvard University's Law School in his essay "The Rules of War Enable Terror" holds that universally acknowledged international law prohibiting torture must be ignored if "terror" is to be defeated. Today no honest person can deny that the U.S. security services are following the theory of Professor Dershowitz. And (literally) today in the name of anti-terror U.S. planes are bombing the hospitals and residential districts of Falluja in defiance of the UN Secretary General Annan's plea for forbearance. We know that abuses committed by Indian security services in the northeast have touched the conscience of the nation: the U.S. offer of "help" is an offer of nightmare without end. Even if this represents in fact no break with practices as augmented by the prior BJP regime, the left parliamentary parties are surely right to insist that then a change is required.

But must we not push on beyond the question of interference in Indian internal affairs to the question of Indian "anti-terror" co-operation with U.S. security services in the entire South Asia region? On this question the parliamentary left has been silent. What Mulford's letter shows is that the tempting offer of U.S. recognition of India as a favored (but junior) partner in "anti-terror" for all of South Asia is based on the fundamental Bush regime use of the United States security services as a global Gestapo, beyond Indian borders but inside them as well. Everywhere.

Current foreign secretary Shyam Saran served the Vajpayee regime as its Ambassador in Kathmandu from the start of 2003 until 1st August, 2004. He took pride in co-ordinating Indian security services with the U.S. dominated security services of the Nepali royal regime. Speaking to the press in Birgunj, Nepal, on Monday, May 3rd of this year, Saran was quoted as saying that as long as both Indian and Nepali governments were unable to exchange information on insurgency, the insurgents had been taking advantage of the situation. He boasted that "now both the countries are able to nab some of the Maoists due to network of information set between the two countries." What did this mean in practice? India had detained the Maoist leaders Matarika Yadav and Suresh Ale Magar in Lucknow on February 8th and despite the absence of an extradition treaty turned them over to the Nepali royal regime's security forces. At the time Saran was Ambassador in Nepal, and by universal international practice had a

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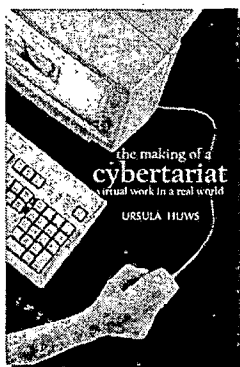
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Analytical MONTHLY REVIEW

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"Only the transcendence of capitalism, in the direction of socialism, offers the possibility to escape from the current state of barbarism that is paving the way to new global holocausts and a worsening ecological collapse."

Empire of Barbarism

Review of the Month by JOHN BELLAMY FOSTER & BRETT CLARK

RICHARD D. VOGEL Updates Capital Punishment ♦ DAVID U. IMMELSTEIN & S. WOOLHANDLER on Medical Marketplace Mayhem



'War Moon' a poem by JANET E. AALFS

Special: Winter Book Supplement

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Editorial

There is a resurgence of the issue of capital punishment in India with the execution of a convicted murderer and rapist in West Bengal. The execution was accompanied by unprecedented media hype, and the debate has been channeled by descriptions of 'brutal', 'cold-blooded', 'deliberate', 'unprovoked', 'gruesome', 'wicked', 'callous', 'heinous' or 'violent' murder and rape. As a result, many came to favour capital punishment, and even actively demanded hanging the convict Dhananjoy. When the President's office sought the State government's views on the matter, the Communist Party of India (Marxist)-led Left Front government supported the death sentence. Chief Minister Buddhadeb Bhattacharjee said: "The

(continued on inside back cover)

Empire of Barbarism

JOHN BELLAMY FOSTER AND BRETT CLARK

"A new age of barbarism is upon us." These were the opening words of an editorial in the September 20, 2004, issue of *Business Week* clearly designed to stoke the flames of anti-terrorist hysteria. Pointing to the murder of schoolchildren in Russia, women and children killed on buses in Israel, the beheading of American, Turkish, and Nepalese workers in Iraq, and the killing of hundreds on a Spanish commuter train and hundreds more in Bali, *Business Week* declared: "America, Europe, Israel, Egypt, Pakistan, and governments everywhere are under attack by Islamic extremists. These terrorists have but one demand—the destruction of modern secular society." Western civilization was portrayed as standing in opposition to the barbarians, who desire to destroy what is assumed to be the pinnacle of social evolution.

Altogether absent from this establishment view is the predatory role played by U.S. and European imperialism. It is true that we are living in a "new age of barbarism." However this has its roots not in religious fundamentalism but in what Marx saw as the barbarism accompanying bourgeois civilization and what Rosa Luxemburg once called "the ruins of imperialistic barbarism." We need to look at global capitalism and beyond that at what the United States and Britain are doing in Iraq, the principal zone of imperialist conflict at present, if we are to plumb the full depths of the barbarism that characterizes our time.

The Concept of Barbarism

The concept of "barbarism" has a long, complex lineage within social thought in general and socialist theory in particular. The

This is a revised version of a paper written for a conference on "Civilization or Barbarism: Challenges and Problems of the Contemporary World," Serpa and Moura, Portugal, September 24, 2004. Brett Clark presented the coauthored paper. The original version appeared in October in Portuguese under the title "Barbárie ou socialismo?" <http://resistir.info>. Brett Clark is a graduate student in sociology at the University of Oregon and coauthor of "Ecological Imperialism: The Curse of Capitalism," *Socialist Register* 2004.

Greek word *barbaros* originally referred to anyone who didn't speak Greek. The Greeks like all ancient civilizations portrayed themselves as living at the center of the world and all others as residing in a geographical and cultural periphery (or semi-periphery). After the Greek triumph in the Persian Wars all barbarians were viewed as inferior. The distinction between superior civilized peoples at the center of the world and inferior barbarians on the periphery was thus basic to Greek and Latin thought. Plato presented a doctrine of natural slavery in which he took it for granted that it was right for Greeks either to render death unto the barbarians or to enslave them.¹

The most developed version of the distinction between barbarism and civilization introduced by the Greeks and Romans was to be found in the work of the Greek geographer Strabo (circa 64 BC-AD 24). Strabo had studied in Rome and reflected a Romanized view of the world. His seventeen volume *Geography* presented barbarism as representing an inverted world, in contrast to the Greeks and Romans, who had adopted "modes of life [production] that are civil." In his theory of barbarism and civilization the geographical difference was associated with different modes of production (*Geography*, 4.1.14). Civilized peoples lived on the most fertile soils where settled agriculture was feasible. Standing opposed to civilized, bread-eating peoples, who were principally city-dwellers (and farmers who lived in close proximity to cities), were barbarians who were nomadic fighters living on meat and dairy and permanently under arms. Barbarians were seen as preferring force and living under circumstances where they had no recourse other than marauding and thievery since confined to wilderness and removed from arable lands.

The notion of barbarism thus took on two meanings related to two conceptions of civilization. Insofar as civilization meant city-dweller, barbarism meant non-city-dweller, and particularly those living on the periphery. Insofar as civilization stood for the rule of law and culture, barbarism stood for the lack of both and the dominance of brutality. Barbarians were known for carrying out unconventional warfare. Confronted by the organized Roman army, "the barbarians," Strabo wrote, "carried on a guerilla warfare in swamps, in pathless forests, and in deserts" (1.1.17).

Nevertheless, the key aspect dividing civilization and barbarism, according to Strabo, was the differing mode of production of each. This was principally affected by geography, with the more barbaric populations living in less fertile, more mountainous regions further north that bordered the oceans. Strabo allowed for some cultural

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development among barbarian populations as they learned to cultivate more civilized modes of production. In fact, he described how some barbarians were "no longer barbarians" but were "transformed to the type of the Romans" when introduced to Roman "modes of living" (production) (4.1.12). In particular, once the barbarians started producing meats and other raw materials for the Roman Empire, they were seen as more civilized.

If in Greek and Latin literature civilization versus barbarism was formed around a notion of center and periphery, early socialists, who viewed the feudalism that succeeded the Roman Empire in Western Europe as constituting a thousand years of universal barbarism, saw barbarism as a stage of development not simply confined to the periphery. For French utopian socialist Charles Fourier barbarism was the stage that preceded civilization. Barbarism was defined by force and the absolute enslavement of women. It came to its climax with the rise of large-scale slavery. Following in barbarism's wake, civilization, which he saw as typified by monogamous marriage and civil liberties for the wife and as introducing large-scale industry and the class struggle associated with it, was just as brutal in many ways as barbarism but more cunning in form. In fact, Fourier argued that civilization entailed the exploitation of the world's population and an increase in armed conflict:

Wars and revolutions devastate successively every part of the globe. Political storms, for a moment lulled, break forth anew, multiplying like the heads of the hydra beneath the blows of Hercules. Peace is but a delusion, a momentary dream, and Industry, since an island of commercial monopolists and spoliators has embarrassed the intercourse of nations, discouraged the agriculture and manufactures of two continents, and transferred their workshops into nurseries of pauperism, Industry, I say, has become the scourge of the toiling millions....The commercial spirit has opened new fields to fraud and rapine, spreading war and devastation over the two hemispheres and carrying the corruptions of Civilized cupidity even into Savage regions. Our ships circumnavigate the globe only to initiate Barbarians and Savages into our vices, our excesses, and our crimes. Thus Civilization is becoming more and more odious as it approaches its end. The earth presents only a frightful political chaos, and invokes the arm of another Hercules to purge it from the social abominations which disgrace it (*The Social Destiny of Man, Or Theory of the Four Movements* [New York, 1857], p. 99).

The consequence of this globalizing and in a sense still barbaric mode of production was poverty and starvation for the vast majority of the world's population and the enrichment of a small segment of the people within civilized nations.

Marx and the Barbarism of Bourgeois Civilization

Marx's treatment of barbarism, while scattered in his writings, was complex and reflected the numerous contradictions embedded in civilization or capitalism in his conception, which raised the possibility of degeneration as well as progress (toward communism). He made references to barbarism both in relation to a stage of development and to issues of center-periphery. Marx also used the term "barbarism" to refer to the role of force and brutality in history and in capitalism specifically (thus referring to "the barbarism within civilization")—both at the levels of the class struggle and imperialism. In his *Ethnological Notebooks*, written at the very end of his life, he took over the concept of barbarism as a stage of human development from the work of Lewis Henry Morgan. In his *Ancient Society* Morgan identified lower barbarism with the manufacture of pottery; middle barbarism with domestication of animals in the Eastern hemisphere, irrigation and the use of adobe-brick and stone in architecture in the Western hemisphere; and upper barbarism with the manufacture of iron and the invention of the phonetic alphabet. Much of Morgan's anthropological schema, including his treatment of barbarism as a stage lying between savagery and civilization, was taken over by Engels in *The Origin of the Family, Private Property and the State*. But it is Marx and Engels's more general use of the term barbarism in relation to civilization and not the specific anthropological concept later taken from Morgan that most concerns us here.

Marx saw exploitation under capitalism as frequently occurring under conditions that were barbaric, or that reflected the predatory nature of bourgeois civilization. Referring to the degradation and pollution of life that ensued with the rise of capitalism, he wrote in the *Economic and Philosophical Manuscripts of 1844*: "The crudest *modes* (and *instruments*) of human labour reappear [under capitalism]; for example, the *tread-mill* used by Roman slaves has become the mode of production and mode of existence of many English workers." In his 1847 speech on *Wages* Marx metaphorically referred to the use of the treadmill in modern capitalist production (and prison systems) as a disease. "The treadmill," he observed, had reemerged "again within civilisation. Barbarism reappears, but created in the lap of civilisation itself and belonging to it; hence

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leprous barbarism, barbarism as leprosy of civilisation."

To understand the significance of Marx's critique it is important to recognize the role that the treadmill occupied as a means of terrorizing and torturing workers who were consigned to it for a variety of offenses. Thus in 1818 William Cubbit reintroduced English prisoners to the treadmill, which, according to a description in the October 1971 *Scientific American*, employed men in "grinding grain or in providing power for other machines. Each prisoner had to climb the treadmill a total vertical distance of 8,640 feet (2,630 meters) in six hours. The feat was the equivalent of climbing the stairs of the Washington Monument 16 times, allowing about 20 minutes for each trip."

For Marx this reintroduction of the treadmill stood for the tortuous, life-sapping forms of exploitation frequently employed by bourgeois civilization. The treadmill was a "leprosy of civilisation" because like that disease it ate away at the body, and because leprosy, which had been prevalent in Europe during the age of medieval barbarism, served as a metaphor for the reappearance of medieval barbarism in the lap of bourgeois civilization itself. Likewise in his *Economic Manuscript of 1861-63* Marx quoted a passage from the Russian economist Heinrich Friedrich von Storch that pointed to the degradation of the working conditions and the undermining of the health of wage workers as a reflection of the regression to barbarism that frequently accompanied the growth of bourgeois civilization.

Marx also referred to barbarism in the sense of being outside of the culture of civilization, isolated from the life of the cities and from social and political intercourse. In this sense he saw the French peasantry, which played a reactionary role in supporting Bonapartism, as the class that represented "barbarism within civilization." The periodic breakdown under capitalism of economic progress and the poverty and hardship that this entailed was itself a kind of regression, and hence Marx and Engels referred in part I of *The Communist Manifesto* to economic crisis as "a state of momentary barbarism."²

The more global way in which Marx and Engels utilized the concept of barbarism, however, was in the treatment of the relation between center and periphery of the capitalist world economy. In their panegyric to the bourgeoisie that comprised much of part I of *The Communist Manifesto* they remarked how the bourgeoisie "has made barbarian and semi-barbarian countries dependent on the civilized ones, nations of peasants on nations of bourgeois, the East on the West." Likewise they referred to the fact that "the cheap

prices of its [the bourgeoisie's] commodities are the heavy artillery with which it batters down all Chinese walls, with which it forces the barbarians' intensely obstinate hatred of foreigners to capitulate." Marx viewed Tsarist Russia, on the semi-periphery of Europe, as a bastion of barbarism threatening revolutionary movements in the West.

But in his critique of colonialism Marx was soon to invert his treatment of barbarism, which came to stand for what the modern bourgeois of the capitalist West "makes of himself...when he can model the world according to his own image without any interference." "The profound hypocrisy and inherent barbarism of bourgeois civilization," Marx wrote in 1853 in "The Future Results of the British Rule in India," "lies unveiled before our eyes, turning from its home, where it assumes respectable forms, to the colonies, where it goes naked." In his later writings, Marx became ever more critical of British imperialism in India as he became aware of what Mike Davis has recently labeled "Victorian holocausts": the coincidence of the imperialistic expropriation of the surplus of Indian society with vast famines and the imposition of starvation wages on Indian workers. (The Temple wage that the British provided for workers engaged in hard labor in Madras in India in 1877 had a caloric value that was less than what the Nazis were later to provide to workers forced to do hard labor in the Buchenwald concentration camp in 1944.) Marx noted that British expansion was devastating India's industry, spreading misery and degradation, while turning the country into simply a producer of agricultural raw materials for Britain. In fact, British imperialism served as a force of destruction, demolishing India's productive forces and causing underdevelopment even as it introduced the forces of modern industry into Indian society. In his treatment of "The Genesis of the Industrial Capitalist" in *Capital*, volume 1, Marx quoted approvingly from *Colonisation and Christianity* by William Howitt who had written: "The barbarities and desperate outrages of the so-called Christian race, throughout every region of the world, and upon every people they have been able to subdue, are not to be paralleled by those of any other race, however fierce, however untaught, and however reckless of mercy and of shame, in any age of the earth."³

A common criticism of Marx's thought is that he saw history as inherently progressive. The work that is most widely taken as reflecting this extreme progressivism is *The Communist Manifesto*. Yet, at the very beginning of the *Manifesto* Marx and Engels noted, with respect to the class struggles that had governed the history of

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all hitherto existing civilization, that “oppressor and oppressed, stood in constant opposition to one another, carried on an uninterrupted, now hidden, now open fight, a fight that each time ended either in a revolutionary reconstitution of society at large, or in the common ruin of the contending classes.” The fall of the Roman Empire, which had succumbed to a “common ruin of the contending classes” (and barbarism both within and without) was followed in the West by a long period of medieval barbarism. Neither Marx nor Engels underestimated the role of force in history, nor its regressive influence. History could therefore move forward toward socialism or backward toward barbarism—or worse promote a more systematic, capitalist form of barbarism, naked in its imperialistic relations.

Marx’s analysis of ecological destruction wrought by capitalism—the metabolic rift—itself pointed to the possibility of historical regression, as ruptures in the natural systems caused environmental crises for society. By robbing the soil and polluting the cities with wastes capitalism undermined the material conditions of existence. All of civilization, he pointed out, left deserts in its wake. In the same passage in the *Economic and Philosophical Manuscripts* in which he referred to the reintroduction of the treadmill as a reversion to barbarism within production Marx also referred to the pollution generated in the industrial cities of Britain and the ecological destruction inflicted by capitalism: “The refinement of needs and of the means of fulfilling them gives rise to a bestial degeneration....Even the need for fresh air ceases to be a need for the worker. Man reverts once more to living in a cave, but the cave is now polluted by the mephitic and pestilential breath of civilization....Light, air, etc.—the simplest *animal* cleanliness—ceases to be a need for man. *Dirt*—this pollution and putrefaction of man, the *sewage* (this word is to be understood in its literal sense) of civilization—becomes an *element of life* for him.” Engels wrote in *The Part Played by Labor in the Transformation from Ape to Man* of the human destruction of the natural environment and the undermining of civilization that this entailed. Human beings, he noted in his ecological writings, had increased the temperature of the earth in regions where forests had been extensively destroyed. None of this was compatible with a simple progressivist vision and suggested that civilization carried a kind of reversion to barbarism within it as one potential line of evolution.⁴

Luxemburg and ‘the Ruins of Imperialistic Barbarism’

It was Rosa Luxemburg who was to promote this aspect of Marx’s dialectic in the context of global imperialist expansion, the

crisis of German Social Democracy, the First World War, and the rise of proto-fascism. In December 1918, a month before she was murdered following the defeat of the Spartacist uprising, Luxemburg wrote an article entitled "What Do the Spartacists Want?" She declared that a choice presented itself: "Socialism or barbarism." If the latter—the continuation of capitalist relations—persisted, history would entail new wars, famine, and disease. The dominant classes throughout history "all shed streams of blood, they all marched over corpses, murder, and arson, instigated civil war and treason, in order to defend their privileges and their power." The ongoing development of imperialistic barbarism promised to be more brutal and treacherous, threatening to turn much of the world "into a smoking heap of rubble."

"Socialism," Luxemburg contended, "has become necessary not merely because the proletariat is no longer willing to live under conditions imposed by the capitalist class but, rather, because if the proletariat fails to fulfill its class duties, if it fails to realize socialism, we shall crash down together in a common doom" (*The Rosa Luxemburg Reader*, pp. 349–52, 364). The fate that barbarism represented was thus Marx's "common ruin of the contending classes."

In her famous *Junius Pamphlet* (*The Crisis in German Social-Democracy*), written a few years earlier while she was imprisoned for protesting the First World War, Luxemburg pointed to reactionary tendencies and the horrific possibilities of a second world war following the first that would be even more devastating in its implications. Already, capitalists were profiting from the destruction, as "cities are turned into shambles, whole countries into deserts, villages into cemeteries, whole nations into beggars." Capitalism goes forth into the world "wading in blood and dripping with filth....As a roaring beast, as an orgy of anarchy, as a pestilential breath, devastating culture and humanity—[and] so it appears in all its hideous nakedness." The "triumph of imperialism" involved "the destruction of all culture, and, as in ancient Rome, depopulation, desolation, degeneration, a vast cemetery." It was in this context that she referred to "the ruins of imperialistic barbarism." Socialism in contrast offered the possibility of a new world.

Luxemburg pointed especially to the destruction leveled on the periphery in Africa, the Middle East, and China—regions that had been targeted for conquest by European imperialists. "All the riches of the earth" would be subjugated to capital; and the world's population converted into wage slaves. The "civilized world," which she properly placed in quotes, had turned into the fiercest, most

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brutal form of barbarism the world had ever seen—armed as it was with weapons of fearsome destruction and propelled forward by an insatiable urge for economic expansion:

The “civilized world” that had stood calmly by when...imperialism doomed tens of thousands of heroes to destruction, when the desert of Kalahari shuddered with the insane cry of the thirsty and the rattling breath of the dying, when in Putumayo, within ten years, forty thousand human beings were tortured to death by a band of European industrial robber-barons, and the remnants of a whole people were beaten into cripples, when in China an ancient civilization was delivered into the hands of destruction and anarchy, with fire and slaughter, by the European soldiery, when Persia gasped in the noose of the foreign rule of force that closed inexorably about her throat, when in Tripoli the Arabs were mowed down, with fire and sword, under the yoke of capital, while their civilization and their homes were razed to the ground—this civilized world has just begun to know that the fangs of the imperialist beast are deadly, that its breath is frightfulness, that its tearing claws have sunk deep into the breasts of its own mother, European culture. And this belated recognition is coming into the world of Europe in the distorted form of bourgeois hypocrisy, that leads each nation to recognize infamy only when it appears in the uniform of the other. They speak of German barbarism, as if every people that goes out for organized murder did not change into a horde of barbarians! They speak of Cossack horrors, as if war itself were not the greatest of all horrors (*The Crisis in German Social-Democracy*, pp. 8, 18, 124-27).

Inspired by Luxemburg's analysis, the Sri Lankan Marxist G. V. S. de Silva further developed the concept of barbarism in his book *The Alternatives: Socialism or Barbarism*. He argued that the traditional Marxist notion of modes of production evolving from capitalism to socialism to communism needed to be revised. Capitalism did not necessarily lead to socialism or socialism necessarily to communism. Rather both capitalism and socialism could degenerate into barbarism, which presented a brutal alternative to communism. Barbarism in de Silva's conception was to be defined as a society relying simultaneously on: force; ideological control on the scale of Orwell's *1984*; the destruction of all countervailing power so that economic interests can rule directly with a minimal state; “induced consumption of useless products” designed to distract the population; and the extreme domination of

nature in all of its aspects. Short of a revolutionary change in the qualitative dimensions of the global economy and an end to capitalist exploitation of nature, the specter of barbarism would continue to haunt humanity. Thus, de Silva concluded ominously: "Barbarism in one or two powerful countries will overwhelm the rest of humanity."

Empire of Barbarism

Today the world is facing what de Silva feared—a barbarism emanating from a single powerful country, the United States, which has adopted a doctrine of preemptive (or preventative) war, and is threatening to destabilize the entire globe. In the late twentieth century the further growth of monopoly capital (as explained most cogently in Paul Baran and Paul Sweezy's *Monopoly Capital* and Harry Magdoff's *Age of Imperialism*) led to a heavy reliance, particularly for the United States as the hegemonic state of the world system, on military spending and imperialist intervention. With the waning of the Cold War this dependence of the imperial superpower on the most barbaric means of advancing its interests and controlling the system has only increased. The continuing decline of U.S. economic hegemony, occurring alongside deepening economic stagnation in capitalism as a whole, has led the United States to turn increasingly to extraeconomic means of maintaining its position: putting its huge war machine in motion in order to prop up its faltering hegemony over the world economy. The "Global War on Terror" is a manifestation of this latest lethal phase of U.S. imperialism, which began with the 1991 Gulf War made possible by the breaking up of the Soviet bloc and the emergence of the United States as the sole superpower.

After the terrorist attack on September 11, 2001, the empire could present itself as at war with barbarism and in defense of civilization. "The barbarians have already knocked at the gates," declares Niall Ferguson, Herzog Professor of History at the Stern School of Business, New York University and a principal advocate of U.S. and British imperialism. But today's barbarians, he charges, are Islamic fundamentalists, and liberal imperialism becomes a way of inoculating the world against such Islamic terrorism. While the knock on the gates represents a clear danger to the U.S.-dominated imperial order, these external terrorist groups, Ferguson contends, will not bring about the decline of the American imperium directly. Instead, the principal threat to the position of the United States in the global economy is internal. It is rooted in an unwillingness on the part of the U.S. state to make a full claim to its position at the

head of the global empire.

Ferguson, who believes that the British Empire of old should be emulated—albeit in a form worthy of the twenty-first century—argues in his latest book *Colossus* and his earlier *Empire* that the world needs an empire. Many nations would be better off dominated by the United States than having full independence. The United States, he claims, “is a guns and butter empire”—one that represents not just the rule of force but the advance of the principles of liberal empire and liberal bounty, thus yielding a more democratic and prosperous world order. It is no mere coincidence that Ferguson, one of the most influential establishment historians today, explicitly calls for an updating of the old “White Man’s Burden” (to be replaced by a new ideology of “functional” empire) while whitewashing one of the most barbaric wars of modern imperialism: the Philippine-American War at the beginning of the twentieth century—the very same imperial war that Kipling had urged on the United States in his poem “The White Man’s Burden” (*Colossus*, pp. 48–52, 267, 301–02; *Empire*, pp. 369–70).

Ferguson’s “guns and butter empire” is now a transparent objective of U.S. policy. With the fall of the Soviet Union, as István Mészáros explained in *Socialism or Barbarism*, the United States began to assume “the role of the state of the capital system as such, subsuming under itself by all means at its disposal all rival powers” (p. 29). With its immense military power and its willingness to use force, the United States is now leading the world into what Mészáros has called “the potentially deadliest phase of imperialism.” In attempting to prevent revolution (or indeed any way out for populations in the periphery), the United States is seeking to transcend the only certain law of the universe: change. In the process, it has given birth to dictators, supported terrorists, and threatened the world with violent destruction. In the Middle East the United States has nurtured a regressive, fundamentalist political Islam (useful in the CIA-directed war against the Soviets in Afghanistan and in closing off all progressive options in the Middle East) that insofar as it turns back and bites the hand that fed it—the United States and its allies—is branded as a “new barbarism.”

‘The Gates of Hell Are Open’

Two years ago, Amr Moussa, head of the Arab League and former Egyptian foreign minister, predicted that “the gates of Hell” would be opened if the United States invaded Iraq. In Cairo this fall he reprised this view, observing that now “the gates of Hell are open in Iraq.” Although he was “scolded” by some for his statement two

years ago, this time around, according to *USA Today* (September 16, 2004), "there was no dissent." It is clear that the U.S. invasion and occupation has created a bloodbath in Iraq that will continue for years, given the ferocious guerrilla war that Iraqis have launched in response. The U.S. position in Iraq is deteriorating. The occupying forces have lost control over whole sections of the country. In October, bombings occurred for the first time in the highly fortified Green Zone in Baghdad, the imperial command center in that country. Over three dozen Iraqi cities are "no-go" zones under the control of the Iraqi resistance. In the thirty days ending on September 28 there were more than 2,300 attacks by resistance forces against U.S., coalition, and Iraqi government targets in all areas of the country. "The type of attacks ran the gamut: car bombs, time bombs, rocket-propelled grenades, hand grenades, small-arms fire, mortar attacks and land mines." Iraqi resistance forces launched more than 3,000 mortar attacks alone in Baghdad between April and the end of September (*New York Times*, September 29, 2004).

U.S. and British air strikes on Iraqi centers of resistance account for the preponderance of the violent deaths among the 100,000 civilians, mostly women and children, that have died so far in the war—according to a study carried out in Iraq by U.S. and British public health experts and published in the leading British medical journal (*Lancet*, online edition, October 29, 2004). Yet despite such fearsome attacks, which have targeted homes, hospitals, and mosques and unleashed untold levels of bloodshed and destruction, the Iraqi resistance seems only to be gaining in strength.

It is now well recognized by the ruling elements in the United States that the number of U.S. troops engaged in Iraq is not sufficient to accomplish the mission of subduing the population. Iraqis are reluctant to enlist in the Iraqi army and police, and those who have enlisted are deserting in droves. Lacking an internal force to conduct its bidding, the United States despite its vast, state-of-the-art military arsenal is short-handed. Working in support of U.S. occupation operations is deadly, as more than 700 Iraqi police officers aiding the occupation have been killed. On top of this, insurgents are inflicting wounds that strike at the very heart of the U.S. ruling class as oil pipelines are being targeted for destruction. The situation for the occupying forces is bleak: "The bottom line is, at this moment we are losing the war," states Andrew Bacevich, former Army colonel and professor of international relations at Boston University. Yet, he continues, "That doesn't mean it is lost, but we are losing" (*USA Today*, September 16, 2004). All of this has

resurrected the Vietnam ghost—the seemingly inescapable symbol of U.S. defeat in imperialist wars.

Barbarism has always been associated with torture. Marx's comments on the treadmill were aimed at the role this instrument of production played in torturing workers while reinforcing bourgeois social relations. He explored the systematic use of torture by British colonialism in India in his article "Investigations of Tortures in India" and saw the outrages of the "revolted Sepoys in India" as a "historical retribution" for such acts by their British oppressors. The systematic use of torture by the United States in Abu Ghraib in Iraq, in Afghanistan, and on its base in Guantánamo Bay, Cuba is now generating throughout the world a still deeper hatred of American imperialism. In the Philippines at the beginning of the twentieth century U.S. troops employed a torture technique known as the "water cure," in which water was pumped down the throats of the detainees and then their stomachs stepped on until they confessed—usually resulting in death shortly afterwards. One of the tortures used recently on a high-level terrorist suspect by U.S. intelligence is the infamous technique known as "'waterboarding,' in which a prisoner is strapped down, forcibly pushed under water and made to believe he might drown" (*New York Times*, May 13, 2004). More standard is a set of slower but highly effective torture techniques: isolation, long-term deprivation of sleep, removal from light and sound, exposure to extreme cold and heat, forcing prisoners to remain naked, use of black hoods, making them stand or stoop in stress positions, beatings, threatening detainees with guard dogs, twenty-four-hour interrogation, etc. According to the *Final Report of the Independent Panel to Review DoD Detention Operations* (August 2004), also known as *The Schlesinger Report* after the chair of the Independent Panel, former U.S. Secretary of Defense James Schlesinger, American interrogators have tortured at least five prisoners to death, and there are twenty-three other suspicious cases of detainee deaths still under investigation. Much of this was given a spurious "legal" basis by the U.S. government's refusal to grant terror suspects detained in Guantánamo and elsewhere the status of prisoners of war, thus suspending the Geneva Convention. All of this set the stage for the barbaric treatment of prisoners.⁵

The gates of hell are open in another respect. We live in a material world, where land, water, and air support life. The human economy and natural processes are inseparably interconnected. Today all of the ecosystems on the earth are in jeopardy. Of particular concern is global warming, which is literally pointing the earth

toward an inferno of our own making. The scientific consensus on global warming suggests that at least a 60–80 percent reduction in greenhouse gas emissions below the 1990 levels is necessary in the next few decades in order to avoid catastrophic environmental effects (rising sea levels leading to loss of islands and coastal areas, increasing droughts and desertification, extreme weather events, accelerated species extinction, loss of food crops, etc.) over the coming century. Yet, the United States has steadily increased its carbon dioxide emissions since 1990. It leads the world in overall emissions, with per capita emissions at over five times the world average, and shows no signs of reversing this trend, regardless of the devastating consequences this may have for other countries particularly in the tropics or for future generations. The war in Iraq, which is about the control of oil as a means to world domination, is itself a manifestation of the U.S. refusal to change direction regardless of the consequences for the planet. This “*Après moi le déluge*!” philosophy, as Marx intimated at one point, constitutes the very essence of barbarism.⁶

‘The Iraqis Will Get Tired of Getting Killed’—Rumsfeld

As *Business Week* declared “A new age of barbarism is upon us.” But it is a mistake to attribute such barbarism simply or in the main to social forces and nations in the periphery. Just as Marx came to invert the historical treatment of barbarism as he condemned the colonial systems of his day, we need to recognize the barbarism of the strong and their culpability in creating this new age. Secretary of Defense Donald Rumsfeld, the voice of the new barbarism, recently stated: “At some point the Iraqis will get tired of getting killed” (*USA Today*, September 16, 2004). Presumably he was referring to Iraqis killed by suicide bombers. Nevertheless, his statement remains inhuman in its implications in the context of the U.S. invasion and occupation of Iraq.

Once declared there is no end to “The Global War on Terror,” which ought to be called the Global War of Terror. Only the transcendence of capitalism, in the direction of socialism, offers the possibility to escape from the current state of barbarism that is paving the way to new global holocausts and a worsening ecological collapse. Daniel Singer wrote at the end of his *Whose Millennium?* “Socialism may be a historical *possibility*, or even *necessary* to eliminate the evils of capitalism, but this does not mean that it will *inevitably* take its place.” We should heed his warning. The choice that we confront and that we will ultimately decide through our struggles is whether “socialism” or “the ruins of imperialistic barbarism” is to be the future of humankind.

Notes

1. Jona Lendering, "The Edges of the Earth in Greek and Roman Thought," <http://www.livius.org/ea-eh/edges/edges.html>.
2. Marx, *Early Writings* (Harmondsworth, Middlesex, England: Penguin Books, 1974), p. 360; Marx and Engels, *Collected Works* (New York: International Publishers, 1975), vol. 6, p. 434 and vol. 34, p. 67.
3. Marx, *Capital*, vol. 1 (New York: Vintage, 1976), p. 916; Marx and Engels, *On Colonialism* (New York: International Publishers, 1972), pp. 86-8; Marx and Engels, *Selected Correspondence* (Moscow: Progress Publishers, 1975), pp. 316-7 (Marx to Danielson, February 19, 1881); Mike Davis, *Victorian Holocausts* (New York: Verso, 2001), p. 39. Marx and Engels did not use the term barbarism in a Eurocentric way. In the case of the wars between Christians and Moors in Spain it was the Christians who were characterized by Engels as the barbarians. *Collected Works*, vol. 25, p. 170.
4. *Early Writings*, pp. 359-60; *Collected Works*, vol. 25, pp. 460-61.
5. Marx and Engels, *On Colonialism*, pp. 152-55, 162-67; Mark Tanner, "Abu Ghraib," *New York Review of Books*, October 7, 2004, pp. 44-50; Edward Greer, "We Don't Torture People in America," *New Political Science*, vol. 26, no. 3 (September 2004), pp. 371-87.
6. "Après moi le déluge! is the watchword of every capitalist and of every capitalist nation. Capital therefore takes no account of the health and the length of life of the worker, unless society forces it to do so." *Capital*, vol. 1, p. 381.

The central observation [of the study of excess civilian deaths in Iraq]—namely, that civilian mortality since the war has risen due to the effects of aerial weaponry—is convincing....The invasion of Iraq, the displacement of a cruel dictator, and the attempt to impose a liberal democracy by force have, by themselves, been insufficient to bring peace and security to the civilian population. Democratic imperialism has led to more deaths not fewer.

—Richard Horton, editor; *The Lancet*, October 29, 2004
(early online edition)

The New Israel

MICHEL WARSCHAWSKI

With the assassination of Prime Minister Yitzak Rabin on November 4, 1995, a long interval of relative openness, liberalization, and attempts at peace and normal relations with the Arab world came to an end. By assassinating Rabin the Israeli right not only seized political power—including inside the Labor Party—but also drove the last nail in the coffin of a certain kind of Israel. That Israel gave way to a new kind of country, with its own particular values and, in the end, a new constitutional framework and set of institutions. How was the transformation to this new Israel accomplished?

The Central Electoral Commission had to disqualify a party list and two Arab Members of Knesset (MKs) before certain Israeli intellectuals, journalists, and legal experts began asking themselves whether Israel is still even the limited democracy it had been since its founding. The fact that Haim Baran or Uri Avnery ask the question and answer no is particularly significant. Both of them have seen themselves for years as Zionists and Israeli patriots. Baran is what Israelis call a “prince”: a son of the country’s first pioneers and leaders; Avnery is a hero of the 1948 war, a former MK and celebrated journalist. We are therefore hearing the feeling expressed at the heart of the old Israeli elite that what they thought they had created during Israel’s first decades is disappearing, perhaps for good. As Avnery writes:

Liberman, Orthodox leader Effi Eitam and other Likud leaders are in the vanguard of a fifth column that is laying siege to Israeli democracy. They have begun by inciting their followers to violence against Arab citizens and excluding

This essay has been adapted from chapter 8 of Michel Warschawski’s *Toward an Open Tomb: The Crisis of Israeli Society* (Monthly Review Press, 2004), which presents an important dissident Israeli perspective that is rarely given a hearing in the United States. Warschawski is cofounder and director of the Alternative Information Center (AIC) in Jerusalem and a well-known anti-Zionist activist. He is also the author of *Israel-Palestine: le défi binational* (Textuel, 2001) and an award-winning memoir, *On the Border* (forthcoming from South End Press).

Arabs from the political system. Now they are speaking of eliminating the "extreme left." Can anyone doubt that their next demand will be to eliminate the whole left, however "moderate" or "patriotic"? Then, in keeping with other historical examples, it will be the turn of the Likud "liberals." Am I being alarmist? Not really. High Court Chief Justice Aharon Barak has just compared Israel's current situation, in the presence of Israel's president, to Nazi Germany. A Holocaust survivor himself, Barak said, "If it could happen in the country of Kant and Beethoven, it can happen everywhere. If we don't defend democracy, democracy will not defend us!" The Libermans are out to destroy the democracy we have built and create a Fascistan. (<http://www.gush-shalom.org/>)

A Fake Democracy

During the last three years we have seen many signs that the most basic democratic norms are disappearing. Arabs suspected of links with terrorism have had their Israeli citizenship taken away. Arab MKs have been stripped of their parliamentary immunity. Openly racist opinions, political programs and bills—particularly projects for ethnic cleansing of the occupied territories and of Israel itself—have gained legitimacy.

This development could take place quickly, without leading to a major crisis, because Israel has always had an idiosyncratic conception of democracy. Democracy for Israelis has always been restricted to two things: predominance of the majority over the minority by means of elections and the acts of the executive branch being based on laws adopted by a parliamentary majority (*AIC Special Reports*, winter 1986). This is obviously a rather meager conception of democracy, which completely neglects the concept of rights. Contrary to what has often been claimed, the fact that Israel has never had a constitution is not the sole responsibility of the religious parties. The real reason is that Zionist politicians have never been capable of writing a real democratic constitution, guaranteeing equality of all citizens and fundamental rights independent of the will of the majority. Israel has always been defined not only as a Jewish state (and democratic state, according to the hallowed formula) but also as a country in a state of emergency due to several decades of war. The state of emergency is so deeply rooted in Israeli political culture that neither peace with Egypt nor peace with Jordan nor the joint Declaration of Principles with the Palestinians has been able to put it in question.

We can go deeper into this problem of democracy in Israel. The

abrupt passage in 1948 without any transition from Jewish settlement organizations to a state structure made it very hard for Israel to adopt "norms of governance." Norms of governance are by definition different from the norms that political-military organizations use, which are not bound by any clearly defined code of laws. (Palestinians know something about this from their own experience today. They find it terribly difficult to move on from the way the PLO functioned to the way the Palestinian Authority should function, as an elected semi-state that is supposed to adopt democratic norms.) Fifty years after independence, the behavior of the State of Israel and its political class still reveals a certain slippage between the state, the ruling parties and the politicians, and between a binding legal framework and interests that cannot be contained in that framework. Corruption is one example, of course. But there are also political and military practices that violate the law but the executive branch considers necessary, such as the use of torture and extrajudicial executions.

The State of Israel resorts to two mechanisms to finesse these contradictions. The first is outright denial, which leads to veritable schizophrenia. We have witnessed this mechanism at work in the intelligence services, police, and public prosecutors' systematic lies about the use of torture; their lies in court ultimately led to a serious institutional crisis and the formation of a national commission of inquiry. Another example: denying the existence of the Israeli nuclear arsenal has prevented establishing safeguards. According to international experts this has resulted in many technical incidents and made Israeli reactors the most dangerous in the world after Chernobyl-type reactors.

The second mechanism is the use of personalized legislation. What happens if the law (in fact a "fundamental law") requires that candidates for the post of prime minister be members of the Knesset, but Benjamin Netanyahu, who wants to run, is not in the Knesset? The fundamental law is amended so that Netanyahu can run. Another example: a former minister is in jail for corruption, a big campaign is waged for his release, and a law is adopted allowing certain prisoners to be released after serving half their sentences. Another: a fundamental law limits the size of the government to seventeen ministers, but Ehud Barak, in order to have the broadest possible coalition, has promised cabinet posts to about thirty politicians, and the fundamental law is changed.

* Israel has no constitution, however, the Meretz party managed to push through the adoption of several "fundamental laws," which are to a certain extent laws of a constitutional type.

Since laws—including laws with a constitutional character—can be changed to satisfy individual interests or the needs of the moment, why not just skip the process of lawmaking altogether? Shaul Mofaz, former head of the army high command, announced his candidacy for the Knesset last year although the “cooling-off period” required by law between his retirement and the elections had not yet expired. Mofaz’s argument before the Electoral Commission was almost refreshingly straightforward: if he had been paying attention, changing the law would have been no problem. The only reason the law wasn’t changed was pure forgetfulness. So let’s pretend it has been and stop wasting time.

The flexibility of laws is one corollary of the absence of a concept of rights in Israeli democracy. Even when rights are mentioned explicitly, as in the fundamental laws adopted during the years of the liberal interval, they are always conditional: “provided that no law exists to the contrary,” or “except in case of emergency,” or “if this does not contradict the Jewish character of the State of Israel.” In short, fundamental rights exist—like the principles of gender equality and equality between citizens of different faiths—unless the parliament has decided democratically, that is, by a simple parliamentary majority, to infringe them.

In Israel, no one has any rights just by being a citizen. Rights—the parliamentary immunity of Arab MKs; the right to run for office if you fail to meet certain political or ideological criteria (which can change whenever the parliamentary majority changes); the legal existence of a party whose program says that the notions of “Jewish state” and “democratic state” are mutually contradictory; the citizenship of Arabs who supposedly have ties with “terrorism,” etc.—can be abolished by majority vote. What could be more natural therefore than MK Avigdor Liberman’s party’s taking the next step and proposing in its election platform to strip Israelis who defame Israel of their nationality, explicitly mentioning rebellious soldiers and officers, former MK Uri Avnery and lawyer Lea Tsemel?

When a country has created borders that it has continually expanded in violation of every rule of international law; when the end, that is, the Jewish state, always justifies the means; then it should be no surprise that respecting Israel’s own rules turns out to be terribly difficult. Ordinary citizens follow the example of their leaders, who apply at home the same lack of rules that they have applied systematically in international relations. The impunity that Israel enjoys within the international community is not only a denial of justice to the victims of its permanent aggression; it is also one reason for the internal degeneration of Israeli society. “But why should I be the only one in this country who obeys the laws?” the

racquetball player asks on the Haifa beach.

A New Political Class

That Israel's political culture and practices have for years borne little resemblance to what is generally understood by democracy does not make the current degeneration any less real or terrifying. A recent example illustrates this. Twenty-five years ago Yitzhak Rabin had to resign as prime minister because of a bank account containing a few thousand dollars that his wife had opened in Washington when he was ambassador there. At the time neither Rabin himself nor the political class nor public opinion considered the young prime minister a martyr; he had to give up his post as a matter of course because he had broken the law. Last year, by contrast, a police investigation implicated Ariel Sharon in a corruption scandal involving several hundreds of millions of dollars. Not only did Sharon not think for a moment of resigning; backed by the whole Israeli right, he counterattacked, accusing the public prosecutor's office and police of being in league with "leftists." He added that the law was inappropriate and needed to be changed.

Another example: five years ago, after a trial that had dragged on for over ten years, the Jerusalem district court sentenced former interior minister and Shas Party leader Arie Deri to four years in jail for corruption. The High Court confirmed the sentence. Hundreds of thousands of people demonstrated for months proclaiming his innocence and demanding that the High Court be dismantled. "Deri Is Innocent" could be read on every wall in Israel and many bumpers. The Knesset voted a special law for his early release. The declarations of Deri's innocence were not based on a different interpretation of the evidence and testimony, but on two nonlegal arguments: "You [the left] condemned him because you hate Shas and Jews of Arab origin [Deri is of Moroccan origin]," and "The rest of them all take bribes, too." Particularly worrying is that a substantial part of the political class, specifically the right and religious parties, joined in the popular campaign against the very legitimacy of the judicial system. During the past ten years the composition of this governing political class has changed completely.

At the heart of this change has been a veritable military coup. Admittedly, the army always played an important political role in Israel, both in its own name and through higher officers recycled as politicians. When Ben Gurion had to resign in the 1950s, he used the army several times, particularly the head of the high command, Moshe Dayan, to force the government's hand. On the eve of the June 1967 war the army forced Prime Minister Levy Eshkol to form the first national unity government, including Menachem Begin and

Dayan as defense minister.

Up until Rabin's assassination, however, the high command remained under the government's control and abided by its decisions. The hypothesis has often been put forward in recent years that there is an organized far right current inside the army and various security services, which opposed the Oslo process and took initiatives to sabotage it, including and above all by provoking attacks. This hypothesis has never been proven. But there is no doubt that the army has been the breeding ground for a powerful right-wing current, with General Biran and the successive heads of the high command, Shaul Mofaz and Moshe Yaalon, in the lead. This current has used its power to influence many government decisions.

From 1996 on, the army became a genuine power in its own right in relation to the government. Peres recognized its autonomy, Netanyahu strengthened it, and Ehud Barak—his name keeps popping up—made it his true political party. Higher officers sit in on cabinet meetings; military intelligence concocts "information"; the army justifies political and military initiatives and writes the scripts. General Moshe Yaalon was the first to call the Palestinian Authority a terrorist organization, he furnished the "evidence," and came up with the scenario deployed from the end of 2000 on to destroy it. Since 1996 higher officers have been making political statements, threatening the government when they consider it insufficiently determined to carry the pacification campaign to its conclusion, and addressing the public directly in order to "explain" the gravity of the situation to them. This has been a true military coup, reminiscent of de Gaulle's 1958 coup inasmuch as it has taken place with the agreement and support of the democratically elected political leadership. It has become an ongoing process through co-optation of higher officers in political party leaderships and at the head of the most important ministries.

But the changed character of the State of Israel's political leadership goes beyond the weight of the army high command. The major role of fundamentalist religious parties on the one hand and Russian parties on the other must also be emphasized. These two political forces represent and give a voice to currents in Israeli society to which references to democracy, the rule of law, and separation of powers and civil liberties mean absolutely nothing. "The composition of the High Court must be changed because it doesn't take account of what public opinion wants," said Orthodox MK Hendel after the judges had declared Azmi Bishara and Ahmad Tibi—together with fascist gang leader Baruch Marzel—eligible to run for the Knesset. A few minutes later a Russian MK expressed

his astonishment that this same court had ruled out General Mofaz's candidacy "for purely technical reasons"—that is, because the law explicitly forbade it (Israeli radio broadcast January 9, 2003).

The law of the state does not count for the religious parties; for them only God's law is legitimate. For the Russian parties, democracy and individual freedom are superfluous luxuries and the first cause of what they consider to be Israel's moral and political weakness. Both currents share a boundless anti-Arab racism. The only difference between them is the Russians' hatred and contempt for believers and religion. This is admittedly no small thing at a time when the religious forces are pushing to install a quasi-theocracy in place of the "Jewish democratic state."

New Ideology for a New Regime

Underestimating the weight of these openly undemocratic currents in the Israeli political class would be a serious mistake. Even numerically they already account for more than a fourth of the members of the Knesset and almost half the ministers in the current government. Ideologically the old "Jewish and democratic," non-religious Zionist worldview with its liberal connotations is in full retreat, while a discourse and ideology is taking hold that is reshaping the whole of Israeli culture. The new ideology combines four main elements: a nationalist militarism more or less associated with religious fundamentalism; avowed racism; a die-hard spirit impregnated with messianism; and a willingness to question every democratic norm. Put together, these elements help shape a generalized paranoia, which leads Israelis to view the whole world as an existential threat to Jewish survival in the Middle East or anywhere else.

This new ideology's first and doubtless most perverse effect is acceptance of the domestic state of siege and normalization of death. Israelis seem to accept the deployment of the army and police on a vast scale and the thousands of security guards at the entrances to all public facilities—restaurants and supermarkets, schools and department stores—without a shadow of a reservation, as if this were a completely normal way of life for individuals and the nation. Sometimes people even seem to accept this state of affairs with pleasure, as if the society finds it easier to live with this reality than with a normality dependent on what the right calls "the risk of peace."

Even worse, the high toll of Israeli civilian and military victims is also seen as something inevitable. The society seems to have gotten used to it with surprising speed, tolerating a government

that has proved incapable of ensuring the safety of its own citizens. Nurit Peled, who lost her daughter to an attack in Jerusalem, borrowed the phrase "the kingdom of death" from Dylan Thomas to denounce this perverse adaptation to the death of innocents.

The mixture of aggressive nationalism and victimization produces a level of violence inside Israeli society that can hardly be gauged from outside. But it is enough to listen to broadcasts of Knesset debates to get a sense of it. One MK promises that Arab MKs will face a firing squad; another describes his fellow MKs of the Zionist party Meretz as "traitors." It remains to be seen who will submit the most drastic bill aimed not only at "terrorists" but also at any form of dissent inside Israel. The High Court and the media, but also often the police and public prosecutor's office, are regularly denounced as anti-Jewish or even as a "leftist mafia." Mutual respect, minimal civility and especially commitment to democratic norms are all nonexistent. Democratic norms in particular are viewed as noxious residues of a regime that it is overdue to be replaced with an authoritarian state that will at last be prepared to take the measures required to guarantee Israel's security and Jewish character.

This violence and rejection of the requirements of democracy by Israel's elected officials serve as a model for its citizens. I have already mentioned what the graffiti on the walls and the bumper stickers on the cars say. These attack not only Arabs but also anything perceived as the enemy within, from the "Oslo criminals" that should be brought before a court-martial to the "hostile media," by way of Judge Aharon Barak and the police chief who dared to open an investigation into the Sharon family's possible corruption. The refusal to allow people to stay alive which Israelis express more and more openly when it comes to Arabs—whether residents of the occupied territories or Israeli citizens—is being extended now to Israelis who refuse to howl with the rest of the pack or who would just like to live normal lives in a democratic, secular society. When law gives way to a mixture of clean consciences and force as the basis of relationships with other human beings, then it is sorely missed when freedom needs protecting in one's own community. This is an old truism that Israeli liberals are now learning the hard way.

Violence is manifested not only in Israeli politics but also in everyday interactions at home and in the street. The lack of civility that has always been one of Israeli society's blemishes has mutated into sheer crudeness. While Israelis were noted in the past for their inability to say "please," "excuse me," or "thank you," today they are ready to physically attack someone who cuts ahead of them in

traffic; and since they often have guns on them, such incidents sometimes end in tragedy. Psychologists and social workers are continually warning about this escalation of violence, but their warnings seem unlikely to make a difference. The whole society is sick, terribly sick.

The Left Gives Up

This deterioration of society and its internal norms of behavior worries the moderates in Israel even more than the political situation does. Yet far from gearing up for a counteroffensive, most of the moderates seem to have decided to give up.

During Friday night dinners in middle-class homes the talk is a mixture of lamentation and despair, with a seasoning of paternalist disgust at all the people who are leading "their" country to disaster: meaning Sephardic Jews, Russians, and the Orthodox, not real Israelis like them. These people found the interview/confession of Moshe Nissim (the "Kurdish Teddy Bear") about his ecstatic bulldozing of Palestinian homes in Jenin delectable. They forgot about the responsibility of his commanding officers, most of whom were "good Israelis" like them.

First the grandchildren of those whom historian Tom Segev calls "the first Israelis" were angry with the Palestinians for daring to reject their generous peace offer. Now they are angry with other Israelis for having brought the right and Orthodox to power. As usual, they have no sense of their own responsibility; they just sulk about the ingratitude of their less privileged fellow citizens. The left's demonstrations, against the plundering in the occupied territories and against growing state authoritarianism, have accordingly fizzled out like a burst balloon. The left lost the will to fight a long time ago, in fact as long ago as Rabin's assassination, for the survival of its own vision of society, even for Israel's survival as a nation.

Many on the left are fully aware that the very existence of Israel is at stake. They are sending their children abroad, buying property in Europe, and trying to get hold of a second passport. The Hebrew University of Jerusalem's prestigious mathematics department, which used to be able to boast of its famous mathematicians, has been incapable for over two years now of filling several posts, because even Israeli doctoral students prefer to continue their careers at less prestigious U.S. or European universities.

There was a time when the Zionist left was accused of "shooting and then crying." Today we can say that it bombs and then whimpers in self-pity. Far from fighting for the society that it dreamed of not all that long ago, it is turning inward. It is accusing

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the whole world, the Palestinians first and foremost, of being responsible for its sorry fate, and dreaming of a more normal future in Europe or the United States. Undoubtedly this will only strengthen the forces of reaction in Israel.

Only a small minority is continuing to fight, both for the rights of the Palestinian people and to stop Israel's transformation into a fundamentalist state that has shed its last democratic pretenses. Will this remnant be able to block Israeli society's rush to destruction, and stop the country from crashing into the wall of hatred around the world that Israelis are building with their own hands? The relationship of forces is not encouraging, and time is short.

~

Guide to the Investor: Buy into Yachts

John Edwards says the U.S. is becoming two nations, one rich, one poor....What the Democratic senator probably wouldn't like to hear is that this polarizing of income presents an opportunity for investors. You should exit companies that sell to the masses and buy into businesses catering to the upper stratum....Shun stocks in the producers of discretionary items for the middle- and lower-income classes....Avoid shares in automakers, which depend on rebates and zero-percent financing to move the metal. Appliance makers will also suffer if the housing bubble breaks, as I expect it will....The well-heeled, though, will patronize the providers of luxury cars, yachts, high-end resorts and travel and other upscale goods and services. Invest in those companies' stocks.

—A. Gary Shilling, "Financial Strategy," *Forbes*,
November 1, 2004

Mayhem in the Medical Marketplace

DAVID U. HIMMELSTEIN AND STEFFIE WOOLHANDLER

Even in the United States, some aspects of life are too precious, intimate or corruptible to entrust to the market. We prohibit selling kidneys and buying wives, judges, and children.

How far should such prohibitions extend? In recent years entrepreneurs and their friends in government have privatized many publicly-funded services previously provided by government or nonprofit agencies—including interrogating Iraqi prisoners. Even in liberal Cambridge, our school superintendent proposes enlisting a for-profit firm to set up a new “public” high school.

Health care epitomizes this trend. Tax dollars account for 60 percent of U.S. health spending (counting as government spending not just Medicare, Medicaid, and Veterans Administration hospitals, but also the costs of health benefits for public workers and the tax subsidies for private coverage). (Indeed, on a per capita basis, public funding for health care in the United States exceeds total health spending in nations with national health insurance.) Yet investor-owned firms have come to dominate kidney dialysis, nursing homes, psychiatric hospitals, rehabilitation facilities, and HMOs. They have made significant inroads among acute care hospitals (they own about 13 percent of such facilities), as well as outpatient surgical centers, home care agencies, and even hospices.

Market theorists argue that the profit motive optimizes care and minimizes costs. But a growing body of evidence indicates that this dogma has no clothes.

The latest studies—published in the *Canadian Medical Association Journal* and the *Journal of the American Medical Association*—come from a highly respected group of Canadian researchers. They painstakingly culled every study ever published that compares the costs and outcomes of care at for-profit and nonprofit hospitals and dialysis clinics. To avoid bias in selecting studies, a librarian blacked out all indication of whether the study

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MEDICAL MARKETPLACE MAYHEM

showed an advantage for nonprofit or for-profit. The researchers then used sophisticated statistical methods to combine all of the data (which all came from studies of U.S. facilities).

Their meticulous analyses demonstrate markedly higher costs and death rates in investor-owned hospitals than in nonprofit ones, and poor outcomes in investor-owned kidney dialysis clinics. The excess cost of for-profit care is substantial—19 percent—implying that the \$37.348 billion Americans paid for care at investor-owned acute care hospitals in 2001 would have cost only \$31.385 billion at nonprofits; the waste amounted to \$5.963 billion.

The waste in lives is more shocking; 2047 unnecessary deaths annually caused by for-profit ownership of hospitals, and 2500 killed each year by for-profit ownership of kidney dialysis centers.

It is easy to see why the profit motive might lead to skimpier care and lower quality. But why does investor ownership increase costs?

Investor-owned hospitals are profit maximizers, not cost minimizers. Strategies that bolster profitability often worsen efficiency and drive up costs. Columbia/HCA—the largest hospital firm—used several tricks to inflate its Medicare billings: exaggerating the severity of diagnoses; falsifying expense ledgers that form the basis of Medicare payment; and bouncing patients from its acute care hospitals to its convalescent hospitals and home care agencies, allowing it to bill multiple times for a single episode of illness. After paying fines and settlements totaling \$1.7 billion, the firm continued merrily—and profitably—on its way. Tenet, the second largest hospital firm paid nearly \$700 million to settle charges that it gave kickbacks for referrals and inappropriately detained psychiatric patients in order to fill beds during the 1980s, when the firm was known as NME. Tenet is back in the news for another round of alleged misdeeds, including performing hundreds of unnecessary, but lucrative cardiac procedures.

For-profit executives reap princely rewards, draining money from care. When Columbia/HCA's CEO resigned in the face of fraud investigations he left with a \$10 million severance package and \$324 million in company stock. Tenet's CEO exercised stock options worth \$111 million shortly before being forced out in 2003. The head of HealthSouth (the dominant provider of rehabilitation care) made \$112 million in 2002, the year before his indictment for fraud.

Enormous CEO incomes explain part, but not all of the high administrative costs at investor-owned health care firms. Investor-owned hospitals spend much less on nursing care than nonprofit hospitals, but their administrative costs are six percentage points higher—reflecting their more meticulous attention to financial details.

High administrative costs and lower quality have also

characterized for-profit HMOs. Now the dominant private insurers in the United States, such HMOs take 19 percent for overhead, versus 13 percent in nonprofit plans, 3 percent in the U.S. Medicare program, and 1 percent in the Canadian national health insurance program. Not surprisingly, contracting with private HMOs has inflated Medicare costs. According to the Congressional Budget Office, Medicare HMOs have selectively recruited healthy seniors who, had they stayed in traditional Medicare, would have cost Medicare little—about \$2 billion less annually than Medicare paid the HMOs in premiums. Private plans that were unable to recruit the healthy dropped out of their Medicare contracts, disrupting care for millions of seniors. The Republicans' response was to sweeten the pot for HMOs by including \$46 billion to raise HMO payments as part of the recently-enacted Medicare prescription drug bill.

Why do for-profit firms that offer inferior products at inflated prices survive in the market? Several prerequisites for the competitive free market described in textbooks are absent in health care.

First, it is absurd to think that vulnerable users of public services such as frail elders and the seriously ill who consume most care can act as informed consumers. They are usually unable to. They cannot comparison-shop, reduce demand when suppliers raise prices, or accurately appraise quality. Even lucid, educated patients may have difficulty gauging whether a hospital's luxurious appurtenances bespeak good care.

Second, the "products" of complex services like health care are notoriously difficult to evaluate, even for sophisticated buyers. Doctors and hospitals create the data used to monitor them; when used as the basis for financial reward such data has the accuracy of a tax return. By labeling minor chest discomfort "angina" rather than "chest pain" a U.S. hospital can raise its Medicare payment rate by 9.2 percent and factitiously improve its angina outcomes. Exploiting such loopholes has proven more profitable than improving efficiency or quality.

Even for honest firms, careful selection of lucrative patients and services is the key to success, while meeting community needs often threatens profitability. For example, for-profit specialty hospitals offering only cardiac or orthopedic care (money makers under current payment schemes) have blossomed across the United States. Most of these new hospitals duplicate services available at nearby nonprofit general hospitals, but the newcomers avoid money losing programs such as geriatric care and emergency departments (a common entry point for uninsured patients). The profits accrue to the investors, the losses to the nonprofit hospitals, and the total costs to society rise through the unnecessary duplication of expensive facilities.

MEDICAL MARKETPLACE MAYHEM

Finally, a real market would require multiple independent buyers and sellers, with free entry into the marketplace. Yet, many hospitals exercise virtual monopolies. A town's only hospital cannot compete with itself, but can use its market power to inflate its earnings. Not surprisingly, for-profit hospital firms in the United States have concentrated their purchases in areas where they can gain a large share of the local market. Moreover, many health care providers and suppliers enjoy state-conferred monopolies in the form of licensure laws for physicians and hospitals, and patent protection for drugs (the pharmaceutical industry provides a virtual encyclopedia of market failure in U.S. health care, but we'll leave that for another day). Moreover, it's an odd market that relies largely on public funds.

Privatization results in a large net loss to society in terms of higher costs and lower quality, but some stand to gain. Privatization creates vast profit opportunities for powerful firms and investors. The Frist family, whose scion Bill leads Republicans in the U.S. Senate, amassed its vast fortune from Columbia/HCA's hospitals. Ross Perot made his money selling computing services to Medicare. And each bump in Medicare payments to HMOs has driven HMO stock prices skyward.

Privatization also redistributes income among health workers: Pay scales are relatively flat in government and nonprofit health institutions; pay differences between the CEO and a housekeeper are perhaps 20:1. In U.S. corporations, a ratio of 180:1 is average. In effect, privatization takes money from the pockets of low wage, mostly female and often minority health workers and gives it to investors and highly paid managers.

Behind false claims of efficiency lies a much uglier truth. Investor-owned health care embodies a new value system that eradicates any vestige of the community roots and samaritan traditions of hospitals, makes doctors and nurses into instruments of investors, and views patients as commodities.

The inroads of the market have stimulated a new surge of support for national health insurance (NHI). Recently, 13,000 doctors have signed an NHI proposal (which appeared in the *Journal of the American Medical Association*) that would ban for-profit insurers and hospitals, echoing the sentiment of the 62 percent of Americans who favor NHI (according to an October, 2003 *Washington Post/ABC News* poll).

But market fundamentalists continue to peddle privatization as a panacea for health care and America's other problems. They assure us that Aetna and Columbia/HCA will solve our health care woes, just as Edison will save our failing public schools, Enron will cut electricity rates in California, and Halliburton and Blackwater will rescue us in Iraq.

Capital Punishment Update

RICHARD D. VOGEL

Following a short hiatus in the 1970s, capital punishment has regained its position as the most reactionary social policy in America. In the Supreme Court case of *Furman v. Georgia*, the Court ruled that the death penalty, as it had been practiced prior to 1972, was unconstitutional and effectively placed a legal moratorium on executions in the United States. Four years later, that same Court accepted minor statutory reforms and reinstituted the death penalty in *Gregg v. Georgia*. Placing these landmark court decisions in historical perspective and reviewing subsequent developments reveal the political dimensions of capital punishment in the United States during the last fifty years.

Chart 1 is a stark portrait of progress and reaction in the United States. It presents the annual number of persons executed in the nation from 1953 through 2002 as reported by the Department of Justice (DOJ). Beginning in the mid-1950s, under unrelenting pressure from the NAACP and other progressive organizations, capital punishment began a dramatic downward trend that continued through the next decade. From 1968 through 1976, the period of Supreme Court deliberations and legal moratorium, there were no executions in the nation. Sporadic executions resumed near the end of the 1970s, escalated during the early 1980s, and then skyrocketed during the 1990s. State-sanctioned killing reached its peak in 1999 when ninety-eight people were put to death. The numbers dropped slightly in 2000 and 2001, but in 2002, executions were on the upswing again. Since the revival of capital punishment there have been over 850 executions with the annual execution numbers of the late 1990s surpassing those of the reactionary 1950s.

In addition to total executions, chart 1 also presents the Southern states' proportion of executions for each of the last fifty years. The chart reveals that it is executions in the South, year-by-year and overall, that drive the national trend, accounting for 69 percent of all executions during the period. However, Southern executions during the post-moratorium period indicate a significant change.

Richard D. Vogel is an independent socialist writer. He has recently completed a book, *Stolen Birthright: The U.S. Conquest of the Mexican People*.

CAPITAL PUNISHMENT UPDATE

While the Southern states accounted for a disproportionate 58 percent of total executions in the pre-moratorium period, they account for a full 81 percent since 1977, despite the fact that only 35 percent of the national population resides in the South.

The issue of the death penalty is more critical now than it was in 1972. Then there were 334 prisoners under sentence of death in the United States—today there is more than ten times that number.

Chart 1: Total U.S. Executions and Southern States' Proportion, 1953–2002

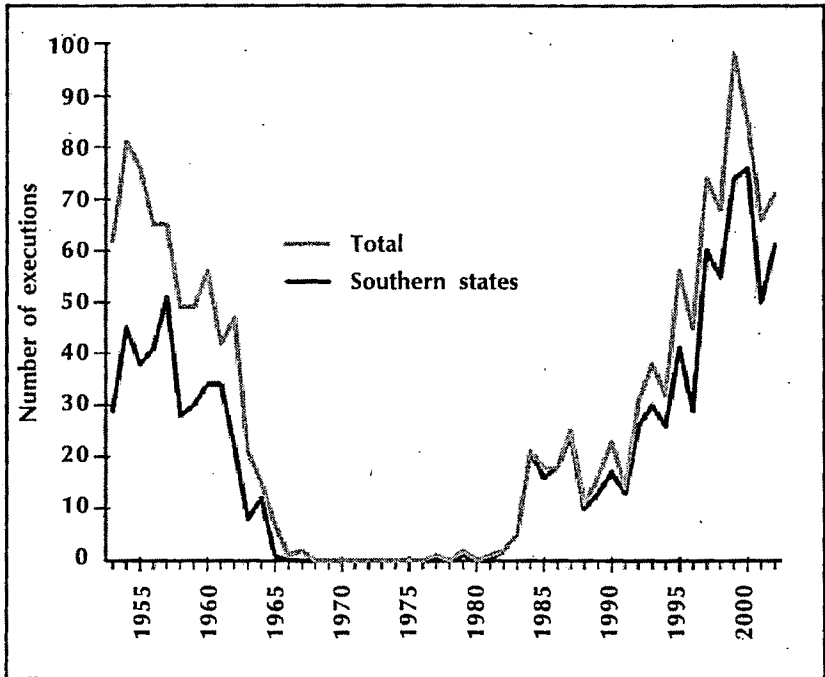
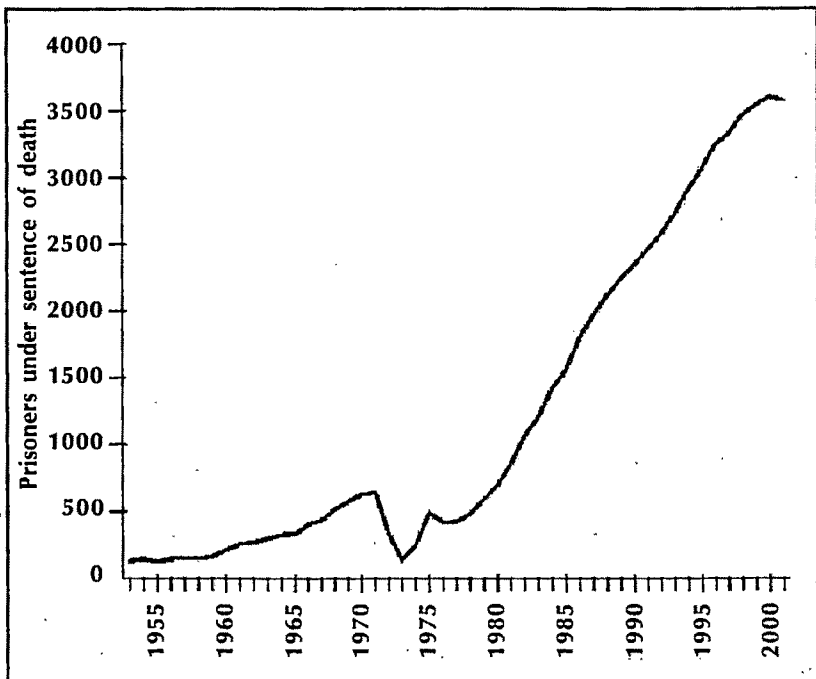


Chart 2, also based on DOJ statistics, presents the number of prisoners on death row in the United States for the years 1953–2001. Chart 2 reveals that there has been a steep and steady increase of prisoners on death row from the early 1980s through the end of the century. The low point in the series was 1973 when there were only 153 prisoners awaiting execution, and the highest number was 3,601 in 2001.

The burgeoning death row prisoner population of the post-moratorium period was one of the targets of the Republican

Contract with America. Neoconservative politicians promised to speed up the pace of executions and delivered the means to do so in the Anti-Terrorism and Effective Death Penalty (ATEDP) Act that was signed into law in 1995. The ATEDP Act streamlined the execution process by restricting prisoners' right of *habeas corpus*, the rule of law that allows inmates to challenge their convictions. The steep rise of executions in the late 1990s corresponded with the passage of the ATEDP (see chart 1).

Chart 2: Prisoners on Death Row in the United States, 1953–2001



The current high death row populations and execution rates are the result of capitalist "law and order" policies. The recent history of capital punishment in the United States shows that the death penalty remains the deadliest weapon of class struggle in America and that reactionaries will never give it up without a fight.

War Moon

JANET E. AALFS

rising up from nothing
in the dark fields of ourselves.

—Linda Hogan

A child disappears
in the rubble, light

from the desert moon
a glittering scrap

of cloth from her mother's
dress held tight

as she ran. I bend
to pick her up, to cradle

her small body shaken
loose from the world.

In the dream other dreams
shatter and the ground

fails to hold me, nothing
but a blue glow at dusk

and stars falling
in the fields, the moon

floating in black trees
like a voice with no body.

Janet E. Aalfs, poet laureate of Northampton, Massachusetts (2003-2005), is the author of *Reach* (Perugia Press, 1999) and *Red* (self-published, 2001). She won first prize in the 2004 *Boston Herald* poetry contest judged by Alice Quinn of the *New Yorker*.

Havoc, Inc.

Running Amok with Uncle Sam

DOUG DOWD

Larry Everest, *Oil, Power and Empire: Iraq and The U.S. Global Agenda* (Monroe, Maine: Common Courage Press, 2004), 391 pages, paper \$19.95.

The Second World War is seen as the worst disaster in history; what is barely understood is that after the war the United States was the only nation with significant economic and military power and that, tragically, the stage had been set for an immeasurably worse chain of disasters—of which the Iraqi war is neither the last nor the worst, unless “We the People” make this *our* country.

As the Second World War ended, there was a moment when it seemed that we might forge a very different path; that because the “land of the free and home of the brave” *could* it also *would* initiate policies to assure that the most devastating war ever would also have been the last war—that we could then, finally, begin to realize the “American dream” here at home while helping the imperialized societies to move toward their own independence and on their own terms.

Instead, even before the war ended we began to spawn the policies that became the Cold War (and, soon after, its soul mate McCarthyism) in a U.S. dominated global economy. Lurch by lurch, the Cold War crushed the hopes for enhancing freedom, democracy, and well-being at home and abroad, by putting in their place repression, violence, and ever more cunning spin. Iraq is simply the latest manifestation of that sordid and tragic set of historical developments.

The presumed but not real threat of weapons of mass destruction (WMD) in Iraq follows the presumed but not real military threat of

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the Soviet Union (and, almost as an afterthought, China); anything will be used to keep us fearful and trembling and acquiescent. No WMD have been or will be found; when the Cold War was born, and for many years after there was no military—as distinct from political—threat from the war-flattened Communist world. If and when either the Soviet Union and/or China *became* a military threat, it was in consequence of, not a basis for, the Cold War—as is the case now for terrorism, always rising in step with (or faster than) our belligerence. Then, and again now, we have made the world a more dangerous place.

From its inception the Cold War contributed to or brought about socioeconomic, political, and military tragedies for dozens of societies, corrupting their governments, ruining their economies, causing millions of deaths, and rendering stillborn whatever hopes for the future there may have been—paving the way for today's "preemptions."

Highlighting the deep roots of the Cold War helps situate Everest's powerful book, *Oil, Power and Empire*, which is concerned specifically with the Middle East and the past half-century's turmoil there, with contemporary Iraq as its main focus. Everest is an experienced journalist and has spent considerable time as a reporter in the Middle East and elsewhere in Asia over the past quarter century. In this book he provides a superb analysis and reportage of the war in Iraq and, just as important, a historical account of the past and present role of the United States in fomenting the turmoil and horrors of the larger Middle Eastern context.

Everest's main aim is to expose the arrogance, ignorance, and systematic deceit that propelled Washington to invade Iraq—and which, left to itself, will go on from there to more wars. As I write this, the Iraqis seem likely *not* to leave the United States to itself; but they need the help of the likes of us if *they* are to be left to themselves—instead of being subjected to the mass high-tech slaughter to which this government habitually descends with *our* weapons of mass destruction.

One would like to believe that a large percentage of our own people are not as arrogant or as inclined to violence as Bush, et al. Even so, as a people, including the otherwise well-informed, we are basically ignorant of what we should know about Iraq and its people. Everest's book goes far to fill in the gaps, making clear the complex history of the entire region. He presents a stark account of U.S. interventions into the early and ongoing Israeli-Palestinian conflict, the U.S.-provided dictatorship of the Shah of Iran and subsequent upheavals, the Iran-Iraq war, the first Gulf War and, of course, the evolution of the present war in Iraq.

Marx was right about many things, including that "history repeats itself, the first time as tragedy, the second as farce." But he may be forgiven for being wrong about Iraq: There is nothing funny about this war, past or present. Everest situates this history:

In 1914 British forces landed there [in Mesopotamia] as part of the campaign against the Ottoman Empire [allied to the Germans]....When the British entered Baghdad in 1917, their commanding officer...told the city's residents, "Our armies do not come into your cities and lands as conquerors or enemies, but as liberators....The Arab race may rise once more to greatness!" (p.40)

Then, in 1921, the British held the Cairo Conference, chaired by Winston Churchill. They changed the name from Mesopotamia to Iraq and set up their administration and, along with two pro-British Iraqis, wrote Iraq's first constitution. Sound familiar?

That done, "In 1925, the British forced the new King Faisal to sign a 75-year concession granting the foreign-owned Iraq Petroleum Company (IPC) all rights to Iraq's oil" (p. 45). It was soon pumping oil from the major fields at Kirkuk—including what should be part of Kurdistan but was to become part of Iraq. The Kurds had long had their freedom and lands usurped by Syrians, Persians, and Turks, but with the discovery of oil they attracted the attention of the "western democracies"—setting in motion the same process that happened in Persia (now Iran) in 1901 when *its* oil was discovered; and the Anglo-Persian Oil Company (now BP) came to control oil production and its profits.

Given the twentieth century conjunction of oil, autos, modern industry, and imperialism, the peoples of the Middle East were trapped in the oil curse, doomed to economic exploitation, repressed politically, and tormented culturally. In response to this exploitation up through the Second World War, the Shah of Persia, angry with Britain, became sympathetic to the Nazis and changed Persia's name to Iran (to be read: "Aryan").

Already in 1944 the United States made a major move regarding oil and strategy for the Persian Gulf. In a 1944 meeting with Britain's Lord Halifax, Franklin Delano Roosevelt informed Halifax: "Persian oil is yours. We share the oil of Iraq and Kuwait. As for Saudi Arabian oil, it's ours" (p. 59).

What were among the consequences of that deal? It provided great wealth for the Saudi dynasty, lots of oil for us, and the opposite of freedom and democracy for the Saudi people—and the bitterness of Osama bin Laden. You get what you pay for; or, in this case, you pay for what you get.

A decade or so later, after Iran's first approximation of a free election,

Prime Minister Mossadegh attempted to nationalize [the] Anglo-Iranian [oil company]. In response, the CIA organized a coup overthrowing his government and restoring the Shah Mohammad Reza Pahlevi to the throne. The Shah [who had been a Nazi sympathizer] would rule Iran for the next 25 years as an absolute monarch, imprisoning, torturing, and murdering many of his opponents, while loyally working for U.S. interests in the region. (p. 60)

That U.S. action also voided the Halifax-Roosevelt agreement and allowed the United States to go from getting zero to 40 percent of Iran's oil, with the other 60 percent shared by the British, French and Dutch. More pertinent to our focus on Iraq, the Shah's rule led to the Ayatollah Khomeini revolution of 1979—a major step among the processes creating today's widespread “jihad.” Soon after, the Soviet-Afghan and the Iran-Iraq wars erupted.

The United States was involved in one arrogant, stupid, covert, and overt step after another; the consequences gave shape to contemporary U.S. policy in the Middle East and Central Asia. Within the United States little attention was paid to what we were doing in that enormous region from the 1950s on; we were riveted on our wars in Korea and Vietnam. As those wars thundered on—killing a total of 3–4 million in Korea and another 3 million in Indochina—we had gotten in up to our ankles in the Middle East; from 1979 on we began to get up to our neck. Everest sets the stage:

[The 1980s were] ushered in by three seismic jolts to U.S. power which occurred in rapid succession in 1979: the February revolution that toppled the pro-U.S. Shah of Iran; the November seizure of the American Embassy [and staff] in Tehran; and the Soviet invasion of neighboring Afghanistan in December. (p. 87)

We begin with Afghanistan; it is in Central Asia rather than the Middle East; however, given that 9/11 was the official basis for sending our troops into Afghanistan and, even more, allowed “terrorism” to become the hot center of our foreign policy and the domestic politics that greased us into Iraq, it is apt to begin there. Everest remarks that it is here where Carter's National Security Adviser Zbigniew Brzezinski helped orchestrate the U.S. involvement in Afghanistan:

In July 1979, some five months before the Soviet invasion [of

Afghanistan], the U.S. had initiated a covert campaign to destabilize Afghanistan's pro-Soviet government by arming and funding the Islamist opposition. The goal, according to Brzezinski, was "to induce a Soviet military intervention." When the Soviets did intervene in December, Brzezinski wrote Carter: "We now have the opportunity of giving to the USSR its Vietnam war." (p. 89)

He was right; but our grand success also birthed those whom we had armed, the Taliban, the main force that fought against the Soviet Union. *Le Nouvel Observateur* interviewed Brzezinski almost twenty years later (1-15, 21-98). When asked if he regretted "having supported Islamic fundamentalism...and given arms and advice to future terrorists" his reply was "What is most important to the history of the world? The Taliban or the collapse of the Soviet empire?" For Cold War freaks like Brzezinski the question is trivial, but the scale of destruction in Afghanistan argues otherwise, as Everest reports:

When the Soviets finally pulled out of Afghanistan in 1989, more than a million Afghans (along with 15,000 Soviet soldiers) had been killed and one-third of the population driven into refugee camps. (p. 90)

The legacy of Osama bin Laden was off and running.

We might guess that such political strategy would be condemned. Fiddlesticks, said the Nobel Committee that awarded Carter a peace prize—as they did to Kissinger. Maybe they need a dictionary?

Carter got his comeuppance when he lost the election of 1980 to Reagan, who proved to be even trickier than either Tricky Dick (on everything) or Carter (on Afghanistan). Everest describes the course of events in this struggle for political power within the global hegemon:

During the summer of 1980...Reagan's campaign feared that Carter was about to pull off an "October surprise" release of the hostages....So Reagan's top advisors made a secret agreement with the Islamic Republic: if Iran continued to hold the hostages through November's election and Reagan won, he would lift the economic sanctions imposed by Carter and allow Israel to ship arms to Iran. (p. 99)

And that's what happened. The U.S. hostages were kept; Israel sent (doubtless U.S.-financed) arms to Iran; and Reagan won the election and became what the establishment likes to present as our most popular president ever. The following decades, perhaps the

most devious decades of foreign relations, saw the United States seesawing back and forth in its international relations—hating Iran because of the hostages, then arming them; then shunning *them* and arming Iraq; thence to war against Iraq over Kuwait and, having defeated them in a trice, sanctioning the country, bombing them for over a decade, starving its children, and so on up to invading them again.

Perhaps the most vivid example of deviousness and stupidity became known as Iran-Contra. It was revealed in 1986 that we had been *selling* arms to Iran and “using the proceeds from weapon sales to Iran to illegally fund the counter-revolutionary [U.S.-trained] Contras” to aid our attempts to overthrow the democratically elected Nicaraguan government (p. 111). This scandal inspired President Reagan to make his classic statement which only Bush II could surpass:

I told the American people I did not trade arms for hostages. My heart and my best intention still tell me that is true, but the facts and evidence tell me it is not.

So it went, financing and arming Israel against Palestine, to arming what became the Taliban in Afghanistan and *both* sides of the Iran/Iraq war, all four of which were different situations but had overlapping motivations. And in their different ways, each of these cases made life much shorter and harder for the peoples within these countries. Taking 1979 as the starting point, the processes we thus aided and abetted resulted in millions of deaths and vast destruction.

While all of this might have caused much self-congratulation in the White House, it should cause a riot among our own armed forces and a revolt by our taxpayers, especially if they knew what they have *really* been fighting and paying for. And just what was that? Oil? Yes and no. Everest presents the various reasons given by analysts:

The “real” reason for the U.S. war on Iraq includ[ed] grabbing Iraq’s oil, preventing the Hussein regime from acquiring weapons of mass destruction, stabilizing the dollar, strengthening Israel, or retaliating for Sept. 11.

If understood as threads in the fabric of global empire, all these objectives and more are part of the U.S. agenda, although none by itself accounts for this war. Instead, it is the convergence of such necessities and ambitions of empire—in the Middle East and globally. (p. 29)

Everest examines all of these elements in great detail. We learn,

or relearn, that Hussein did indeed have weapons of mass destruction, almost entirely provided by the United States for use against Iran—which, as reported by the UN inspection teams, were either destroyed or rendered useless during and after the first Gulf War—which, having ended, led to processes that meant malnutrition and premature death for at least 500,000 Iraqi children. And we learn of the double dealing of the United States in regards to the slaughter of hundreds of thousands of Kurds, during and after the Iran-Iraq and Gulf wars.

What we learn most about, however, is what led up to the ongoing war against Iraq. Everest unearths the early planning to create that war, with *any* rationale that might seem to turn the trick: WMD, al-Qaeda, freedom and democracy, whatever. The only thing that has held up has been “whatever.”

It is worthwhile and infuriating to delve into the various reasons that have been used to sell war to the public. What about WMD? In over a year, we have found one deteriorating shell with—perhaps—sarin in it. On this particular issue, Everest quotes UN inspector Scott Ritter, who stated that “the UN never once found evidence that Iraq had either retained biological weapons or associated production equipment, or was continuing work in the field” (p.191). What about al-Qaeda? They and Hussein have been known to hate each other. All in the Middle East know this fact. The only conclusion after much analysis is that “there was no Al Qaeda connection—except possibly the one created in the wake of the U.S. overthrow of Iraq’s government—and no proof has emerged that Hussein was connected to Sept. 11” (p. 287).

What about freedom and democracy? Who’s kidding whom? The White House group running this war has never shown any interest in either freedom or democracy, unless that means “free markets” and “plutocracy.” The loss of human lives is of no consequence compared to the importance of imperialist objectives. Brzezinski saw the rise of the Taliban as “worth it,” and when Clinton’s Secretary of State Madeline Albright was questioned on *60 Minutes* about the sanctions that caused the deaths of a half-million Iraqi children she answered “I think this is a very hard choice, but the price—we think the price is worth it” (p. 185).

To gain the courage of one’s convictions and to immunize oneself from ever being taken in again, a book such as this is needed. It provides us with much of what we need to know. It also tells us that there is much more that we should seek out, if only to show us in painful detail why it is that *if* we don’t do everything we can to make this country *ours*—instead of *theirs*—we too have a lot to answer for.

Black Radical Enigma

CEDRIC JOHNSON

Amiri Baraka, *The Essence of Reparations* (Philipsburg, St. Martin: House of Nehesi Publishers, 2003), 44 pages, paper \$15.00.

Amiri Baraka, *Somebody Blew Up America and Other Poems* (Philipsburg, St. Martin: House of Nehesi Publishers, 2003), 57 pages, paper \$15.00.

Jerry Gafio Watts, *Amiri Baraka: The Politics and Art of a Black Intellectual* (New York: New York University, 2001), 604 pages, cloth \$50.00.

Harry T. Elam, *Taking It to the Streets: The Social Protest Theater of Luis Valdez and Amiri Baraka* (Ann Arbor: University of Michigan, 2001), 208 pages, cloth \$55.00, paper \$20.95.

Komozi Woodard, *A Nation within a Nation: Amiri Baraka (LeRoi Jones) and Black Power Politics* (Chapel Hill: University of North Carolina, 1999), 352 pages, \$49.95 cloth, \$19.95 paper.

At seventy years of age, Amiri Baraka is no stranger to controversy. From his pioneering stage plays to his legendary journalistic assaults on mainstream black politicians and former allies alike, Baraka has often inhabited the space between trenchant critique, radical honesty, and venomous rhetoric. His 2002 appointment as poet laureate of New Jersey and the subsequent demands for his resignation by everyone from then-Governor James McGreevy to Elie Wiesel again placed Baraka in the limelight. This latest firestorm stemmed from his poem "Somebody Blew Up America," which reminds us of America's history of domestic anti-

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black terrorism but also alludes to the cyberspace conspiracy theory alleging Israeli Prime Minister Ariel Sharon possessed prior knowledge of the September 11 terrorist attacks and forewarned Jewish employees at the World Trade Center.

I found it ironic and ultimately tragic seeing Baraka on a CNN news program defending his art against Connie Chung and an Anti-Defamation League spokesperson. From behind his graying, scruffy appearance rang the same haughty, irreverent Newark brogue that has become so familiar over the years. Yet whatever antiwar content his poem possessed was quickly discredited as the public debate centered on charges of anti-Semitism, free speech, and censorship. Though he was as witty and defiant as ever, Baraka's latest publicity lacked the popular resonance and critical edge of his historical work. Unlike his black power activism which was intimately linked to mass mobilizations that sought to challenge domination and transform public institutions into more democratic and responsive bodies, this latest fiasco was more media circus than movement.

Baraka's poor choice of conspiracy over reason and the equally impoverished mainstream media "debates" which followed merely rehearse caricatures of the left which have become all too familiar in post-Rush Limbaugh America. As framed by corporate media, Baraka, and for that matter left opposition, are relics of a bygone era—frail, wedded to anachronistic ideas and out of touch with contemporary political realities. This latest turn of events is truly depressing because Baraka's substantive contributions to late twentieth century black politics and American radicalism are significant. Commenting on the younger generation of sixties radicals, Harold Cruse in *The Crisis of the Negro Intellectual* concludes, "One of the most outstanding of them, LeRoi Jones, learned in such a personal way to epitomize within himself all the other things his generation learned either empirically or vicariously." Perhaps more than any other figure of the age, Amiri Baraka's activist and artistic career embodies many of the contradictions and broader political challenges of developing popular democratic politics that activist-intellectuals continue to face.

Harry T. Elam's *Taking It to the Streets*, Komozi Woodard's *A Nation within A Nation*, and Jerry Gafio Watts's *Amiri Baraka* each attempt to situate this enigmatic artist within an historical context and assess his political legacy. These works are part of a small but growing literature that revisits the black radical politics of the sixties and seventies.

Popular recollections of the black power movement are often shrouded in romanticism and reactionary politics. From its introduction into the popular lexicon during the 1966 Meredith

March Against Fear, the black power slogan has maintained a peculiar place in the American political imagination. While the phrase lent itself to multiple interpretations, its advocates generally demanded control of the institutions and resources within black communities. More radical takes called for the rejection of Western aesthetic standards, solidarity with anti-imperialist struggles, and the fundamental democratization of the U.S. political economy. Although black power radicalism received heavy media attention during the sixties and seventies, it remains one of the least understood currents in post-Second World War American political thought.

These latest works advance a conversation on black power which is long overdue. Likewise, because they address Baraka as a political artist *and* creative activist, these works are pioneering. While a number of studies examine his literary prowess, until now few considered Baraka's extensive involvement in electoral politics, protests, and community development initiatives.

Woodard surveys the New Nationalist and Pan-Africanist movements of the late sixties and early seventies. This study places Amiri Baraka's leadership at the heart of those developments. Woodard's contribution to American historiography rests in his efforts to broaden our discussion of black power beyond the Black Panther Party whose telegenic imagery and rhetoric often eclipses the wider dimensions of black power radicalism. Woodard examines other equally significant political projects such as the Congress of African People (CAP), the African Liberation Support Committee (ALSC), the National Black Women's United Front (NBWUF), and the National Black Political Assembly (NBPA).

Baraka's radicalization follows a trajectory similar to other baby-boomer radicals whose political maturation was framed by Cold War domestic conformity, black urbanization, the civil rights movement, and third world decolonization. He was born Everett Leroy Jones to a lower middle-class family in 1934. The disappointments of Jones's young adult years pushed him off the beaten paths to American bourgeois attainment. Jones dropped out of Howard University in 1954. After a brief stint in the U.S. Air Force, he was "undesirably discharged" in 1957 under charges of communist sympathy. Jones recovered from these setbacks and settled into the Beat counterculture milieu of Greenwich Village. During his bohemian phase, Jones coedited the literary journal, *Yugen*, with his first wife, Hettie Cohen. Jones produced his most captivating, enduring contributions to American letters during the early sixties—namely, his first volume of poetry, *Preface to a Twenty Volume Suicide Note* and his plays *Baptism*, *The Toilet*, and

Dutchman. Unfortunately, Woodard dedicates precious little attention to this fertile artistic period in Jones's life. Instead, *A Nation within a Nation* focuses on Jones/Baraka as "the people's hero" and a "rebellious outlaw."

Woodard notes the immense impact of Jones's 1960 trip to Cuba with a Fair Play for Cuba Committee (FPCC) delegation that included other black activists and writers, such as Cruse, Robert F. Williams, Julian Mayfield, and John Henrik Clarke. During his travels, Jones was impressed by the socialist realist perspectives of young Cuban artists who asserted both the political instrumentality of art and the revolutionary obligations of intellectuals. In "Cuba Libre"—his *Evergreen Review* essay on the FPCC trip, Jones conveys his frustration with bohemianism and his longing for a more political radicalism. Woodard details Jones's initial forays into political activism—namely his participation in the 1961 protest at the United Nations headquarters following the assassination of Congolese premier, Patrice Lumumba.

Between his Cuba excursion and the political assassination of Malcolm X in 1965, Jones increasingly embraced black cultural nationalism. He took on the Arabic name, Ameer Barakat or "blessed prince" (later adopting the Kiswahili variation) and slowly converted to Kawaida—the brand of cultural nationalism authored by Maulana Karenga, founder of the Los Angeles-based Us Organization.

With the formation of the Black Arts Repertory Theater/School (BART) in 1965, Baraka sought to politicize his cultural work and develop popular modes of transmission. Elam compares Baraka's efforts to develop a "black revolutionary theater" with the work of Chicano playwright, Luiz Valdez and the El Teatro Campesino. Elam contends that "the social protest performance not only reaffirmed the values, heritage, and solidarity of marginalized blacks and Chicanos but also presented new models for change in the U.S. social order. The cultural affirmation of the performance supported the transformative action and new revolutionary symbols within performance text." In a similar vein, Woodard underscores the importance of Baraka's artistic production to the development of wider identity-based political struggles.

A Nation within a Nation captures Baraka's penchant for grassroots mobilization and his momentary influence within national black politics. Between the 1967 Newark Black Power Conference and his formation of the Congress of African Peoples (CAP) in 1970, Baraka emerged from relative obscurity to exercise considerable influence within black radical circles. He was central to efforts to develop a national black political vehicle. As such, he and CAP

activists engineered the planning sessions that birthed the historic 1972 National Black Political Convention at Gary, Indiana which drew together over 10,000 activists. Likewise, North Carolina-based activist, Owusu Sadaukai enlisted the help of Baraka and CAP cadre in the 1972 African Liberation Day mobilization in Washington, D.C. where more than 30,000 people marched against Portuguese colonialism and white settler rule in Southern Africa.

Woodard's strongest contribution rests in his coverage of local black power politics. Newark is exemplary of black nationalist influence within African American political culture during the sixties and seventies. Woodard narrates the development of the Committee for the Unified Newark (CFUN) and the historic Black and Puerto Rican Political Convention which facilitated the election of Newark's first black mayor, Kenneth Gibson in 1970. To win the election, Baraka skillfully integrated conventional campaign tactics with an assertive racial identity politics promoted through local cultural institutions like Spirit House. Woodard contends that Baraka and CFUN devised "an expressive strategy for the campaign that would arouse a collective black and Puerto Rican identity, stress progressive platform principles and even controversial issues, register and mobilize blacks and Puerto Rican voters." Woodard's most remarkable chapter details the eventual showdown between Gibson and black power activists over the Kawaida Towers housing complex.

The Kawaida Towers project epitomized the practical, progressive edge of black power politics. CAP organizers assembled a talented, multiracial team of architects, attorneys, and contractors to address immediate housing shortages and to carve out more meaningful, livable space in postindustrial Newark. Baraka and CAP activists secured funding from both the Department of Housing and Urban Development and New Jersey's Housing Finance Agency to build a sixteen story, low-to-moderate income housing complex in Newark's predominantly Italian North Ward. A political crisis quickly unfolded over whether the city should grant tax abatement to the project. As pressure from reactionary local whites mounted, support from local black politicians unraveled. Gibson's initial endorsement wavered while city councilman Earl Harris's opposition to the project was unequivocal. The Newark city council's eventual rejection of Baraka's abatement proposal derailed the project and signaled the breakdown of radical influence over local black politicians.

Woodard experienced Newark's black power experiment first hand. Yet his closeness to the subject bears some problems. The vindicationist tone of *A Nation within a Nation* bristles critical interpretation of Baraka and black power radicalism. His analysis

falters in identifying the sources of radical failure. Woodard focuses disproportionately on external factors at the cost of fully probing internal movement contradictions. He casts a critical eye on both state policing of radical activists and the avuncular brokerage politics of the emergent black political regime. However, Woodard does not venture beyond these customary narratives of co-optation and repression.

This focus on external pressures, neglects full interrogation of the limits of black power politics. Radicals' insistence on race unity and indigenous control helped to mobilize black citizens and transform the face of local and national government. However, black power promoted the specious notion that racial loyalty—and not conservative ideology, party discipline, corporate power or countervailing electoral pressures—would determine the agenda priorities of the new black political elite.

In a similar vein, Woodard makes little effort to explain the sources of Baraka's intellectual restlessness and his often misdirected ad hominem attacks. Also, he does not rebut well-known criticisms of Baraka's autocratic tendencies—advanced during the movement by fellow intellectuals such as Harold Cruse and more recently, by Robert C. Smith in *We Have No Leaders: African Americans in the Post Civil Rights Era* (1996). Such actions were consequential, and it could easily be argued that these leadership flaws deeply undermined Baraka's stature in black public life.

Woodard barely mentions CAP's ideological conversion to "Marxism-Leninism-Mao Tse Tung Thought" during the mid-seventies and the ensuing Marxist-nationalist debate which inflamed the pages of major black power organs like *Black Scholar* and *Black World*. The Marxist-nationalist debate marked an unfortunate retreat from the powerful, issue-driven alliances personified by the early African Liberation Day mobilizations.

The turn to "scientific socialism" was constructive to the extent that it encouraged more critical perspectives regarding late American capitalism and the limits of black ethnic politics. However, inasmuch as black power activists fetishized Marxism they departed from the intellectual and political spirit of materialist critique. Some radicals' growing conviction that doctrinaire ideology—and not historically specific, germane public issues—should serve as the principal basis of political work was essentially flawed and counterproductive. The mid-seventies Marxist-nationalist fracas discouraged reflexive political theory and constructive engagement, degraded the character of black public debate, and deeply undermined radical politics. Woodard misses an opportunity to weigh the significance of these developments for post-segregation

black radicalism. Watts's *Amiri Baraka* offers a more critical reading of this subject matter.

Watts declares that Baraka's most influential years—from the 1967 Newark riot to the 1974 Kawaida Towers meltdown—were characterized by “a quality of political engagement that has rarely been rivaled in the twentieth century by traditional American intellectuals.” Watts identifies a fundamental tension within Baraka's political work—his quest for meaningful political engagement and appetite for invective. In scope and critical intensity, Watts's *Amiri Baraka* outpaces all previous work.

Shunning nostalgia and hagiography, Watts tackles the sundry problems of cultural nationalist politics head on. He illuminates the sexism and homophobia which informed the rhetorical style, leadership practices, subcultural norms, and division of labor within many black power organizations, including CFUN and CAP. Watts argues that “Baraka's formulations of gender relations unequivocally called for the black realization of idealized, traditional American, patriarchal family relationships. Like other black cultural nationalists, Baraka was able to delude himself into thinking that there was something oppositional in the black patriarchal family.” Watts does recognize Baraka's personal growth noting his post-black power advocacy of a pro-feminist politics. Nonetheless, Watts's analysis of the gendered dimensions of black power remains especially relevant to our neoconservative times given the vulgar reassertions of male authority reflected in black manhood summits and ascendant social policy discourses which link crime and poverty to the loss of “traditional” family values.

Watts addresses state subsidization of black identity politics during the 1960s, namely BART's funding through Harlem Youth Opportunities Unlimited (HARYOU), an antipoverty program created via Lyndon B. Johnson's Office of Economic Opportunity. This relationship contradicts the well-known, anti-coalition sentiments of many black power radicals. Moreover, such state accommodations to sixties radicalism are indicative of the emerging dynamic of race management that congealed during the post-segregation era.

Watts's discussion of the political dead end created by doctrinaire ideology is also insightful. For Watts, Baraka's embrace of autocratic politics were the primary cause of his removal as secretary-general of the National Black Political Assembly in 1975. Baraka's leadership style did generate opposition within the assembly ranks—Oklahoma politician and assembly secretary, Hannah Atkins Diggs publicly accused Baraka and CAP cadre of coercive tactics. Yet Watts's explanation of Baraka's fall from grace might underestimate the presence of late Cold War red-baiting

within black middle-class leadership circles.

Watts's *Amiri Baraka* suffers from other problems of evidence and interpretation. His generally perceptive analysis often dissolves into trite dismissals and vituperation rivaled only by those of Baraka himself. At times, Watts's discussion is more opinionated than soundly argued. His promising political critique of Baraka's artistic corpus and activism is unfortunately eclipsed by dubious accounts of Baraka's private motivations. Unlike Woodard whose work was grounded in dozens of interviews with key movement figures, Watts relies exclusively on archival materials. Perhaps, oral interviews might have added the historical nuance this work lacks and provided more convincing evidence for his most speculative claims. Such methodological problems are not merely academic for they have the cumulative effect of weakening this work's analytical power.

For instance, in his discussion of the 1972 National Black Political Convention, Watts attributes authorship of the *National Black Agenda's* preamble to Congressman Walter Fauntroy and Illinois State Senator Richard Newhouse. However, William Strickland and Vincent Harding of the left-leaning think tank, the Institute of the Black World, authored "The Gary Declaration," which garnered the support of many radicals and the outrage of mainstream leaders, such as the NAACP's Roy Wilkins. Other interpretive problems flow from similar historical inaccuracies.

Elsewhere, Watts mischaracterizes the fundamental causes and dynamics of this historic convention. He claims that the meeting "was supposed to set in motion the creation of a permanent black political infrastructure, the National Black Political Assembly." This interpretation misreads the convention's prehistory and impetus. To the contrary, the assembly was the product of compromise between radical forces who desired an independent black party and mainstream politicians who sought to exploit the highly-publicized convention as political capital without making long-term institutional commitments. The assembly model was proposed by Baraka in a pre-Gary convention position paper, "The Nationalist Overview," and was openly criticized by left-leaning nationalists affiliated with the Greensboro, North Carolina-based, Malcolm X Liberation University (MXLU) and Student Organization for Black Unity (SOBU). Having been at the center of the diplomatic work which drew together mainstream politicians and radical activists for the convention, Baraka sensed that a black party would alienate moderate elements while MXLU and SOBU activists argued that Baraka's proposal was too pro-establishment. Watts's bold brush strokes do not create a satisfying portrait of the internal

contingency, backstage dynamics, and wider political complexities that characterized the 1972 Gary convention and other political activities which Baraka helped facilitate.

1. Serious reconsideration of sixties radicalism has never been more urgent. Although there are certain noteworthy exceptions, contemporary black politics is often characterized by a mix of social conservatism and quixotic pursuits—from Bill Cosby's self-serving attacks on the black urban poor to more progressive activists' preoccupation with an impotent reparations campaign as panacea to American racial inequalities. In light of the current state of affairs, serious analysis of the black power movement and its legacies is warranted.

Baraka's extraverted life reminds us of the challenges and possibilities which accompany radical praxis. His bouts with sectarianism are a cautionary tale to contemporary activists who seek to craft a radical left politics that resonates with the wider public. At his most creative moments, Baraka's charismatic presence, organizational skills, and artistry spurred thousands into meaningful political engagement and transformed African-American politics and American public discourse generally. The purposive political actions undertaken by Baraka and other black power activists are both moving and instructional.

Although the ideas and tactics of bygone eras can never be slavishly applied to contemporary times, the prospects for developing viable opposition partially hinges on how well or poorly activists understand the historical processes that created our current political conditions. In their efforts to illuminate the suppressed history of late twentieth century black radicalism, Elam's *Taking It to the Streets*, Woodard's *A Nation within a Nation* and Watts's *Amiri Baraka* might nourish renewed dialogues around building and sustaining political alternatives.

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Washed Up on Long Island

Urban Renewal at the Beach

ELLEN LEOPOLD

Lawrence Kaplan and Carol P. Kaplan, *Between Ocean and City: The Transformation of Rockaway, New York* (New York: Columbia University Press, 2003), 237 pages, paper \$37.50.

The postwar fate of Rockaway, Queens, may well have been sealed when it was swept into the great consolidation of towns and boroughs that became New York City in 1898. An eleven-mile-long pencil-thin peninsula, Rockaway faces Jamaica Bay along one flank and the Atlantic Ocean on the other. Blessed by its natural resources and fairly isolated from the stresses of city life, it enjoyed a very long run as "New York City's favorite beach resort" with day-trippers pouring into Jacob Riis Park by the tens of thousands. But by the end of the 1940s, its glory days were fading, and it was on the way to becoming an exclusively year-round community.

This change in its fortunes coincided with the enactment by Congress of the first urban renewal legislation in the Housing Act of 1949. No city in the United States took greater advantage of the opportunities this opened up than New York (the city eventually claimed a full third of the federal funds made available nationwide). And though urban renewal was intended to promote the wholesale clearance and reconstruction of blighted and overcrowded urban areas, it quickly found its way to Rockaway, with largely unhappy consequences.

Between Ocean and City: The Transformation of Rockaway, New York documents the capacity of these programs to do more harm than good. The authors focus on the case histories of Title I housing projects, portraying them as Trojan horses, muscling their way into an unsuspecting community with the help of gatekeepers who had

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WINTER BOOKS SUPPLEMENT

been bought off in advance. The perilous passage to completion of each of the major projects, with its false starts, repeated delays, difficult/defaulting sponsors, changes in design, and bureaucratic bottle necks, is narrated with a good feel for the complexity of the horse-trading between local, city, and federal officials caught up in the planning process. The authors also treat at some length—and sympathetically—the lack of influence/access/power bedeviling the work of grassroots social activists. All the key players are all here, from the Mayor's Office and borough politicians to the Rockaway Chamber of Commerce through to the black church, PTA, and voter-registration activists.

Drawing on their extensive insider knowledge, the authors' primary focus on housing allows them to bring to life the history of entrenched ethnic and class divisions on the peninsula. These can literally be read off the map as a series of well-demarcated (and occasionally even gated) communities ranging from longstanding Irish settlements on the most remote western end (where American Airlines Flight 587 crashed in 2001) to the much more recent colonies of Orthodox Jews toward the eastern end. Before 1950, a small number of African Americans also lived on Rockaway, serving as domestics and summer resort workers, but they were scattered across several communities, hidden away by the pervasive segregation that still prevailed in Rockaway. While almost all of these communities were threatened with development or renewal plans of some kind, a few (the whitest and most prosperous) fought them off and remained largely untouched by the predations of public policy.

Before the advent of urban renewal in the '50s, New York City was already using its welfare department to relocate (read: "warehouse") in Rockaway some of its more undesirable clients, i.e., those who were ineligible for low-income housing in Manhattan and other urban areas. To accommodate these transfers, local landlords bought up dilapidated and disused summer shacks and, after a poor stab at winterizing them, charged excessive (and now subsidized) year-round rents to the newcomers. They became the "landlords of last resort" housing the "tenants of last resort."

The subsequent arrival of the Title 1 program, allowing properties to be condemned and then sold to the city for clearance, brought the promise of future windfall profits to these same landlords who could now allow their properties to deteriorate while continuing to collect rents. The city finally bought them out and sold their property to the new developers at a reduced price (with the shortfall

paid for by the federal government). Justified as a necessary incentive to get the wrecking ball rolling, this arrangement essentially enabled finance capital to operate directly through government agencies.

Real estate deals represented by far the most significant transfers of wealth achieved by urban renewal; typically, the purchase of land and buildings for clearance accounted for two-thirds of total project costs. It is not surprising then to discover that in Rockaway, as elsewhere, fewer people were actually accommodated in the new housing than in the old properties they replaced. And often, they were not even the same people. The poor, and particularly the black poor relocated to Rockaway by the city's welfare department, were evicted once more and found themselves ineligible for the new housing because they were either on public assistance, unemployed, single parents or alcoholics. There were almost no social service agencies in Rockaway to address any of these problems. Nor were there any real prospects for stable year-round employment.

All these features support the accusation of "dumping," the charge that slum clearance was really just a thin cover for minority clearance. As a publicly sanctioned practice, it was shamefully at odds with another strand of postwar housing strategy that was funded by the same 1949 housing legislation (Title II). This was the promotion (through federally insured mortgages) of developments providing single-family homes on suburban green-field sites. The intention here was to secure a stable, white, home-owning workforce in affordable housing accessible to major centers of employment. Relocation was not an issue when building on Long Island potato fields. Access to jobs on the other hand was a major consideration, as the millions of federal dollars poured into suburban highway programs in the 1950s attests. Ironically, suburban development strategy, by encouraging the exodus of middle-class wage earners from New York City, undermined one of the original justifications for urban clearance and renewal policies, i.e., the need to increase the city's tax revenues.

In Rockaway, kickbacks and cronyism greased the wheels for most of the planned new developments. In the context of this morass, the figure of Robert Moses stands out, in perhaps his most favorable light. According to the authors, he was a "committed conservationist," something they claim that Robert Caro's biography *The Power Broker* does not properly recognize. Moses would never permit development on Rockaway to exercise private control over public spaces or allow "the quest for the 'quick dollar' by an

unscrupulous few" to take precedence over the preservation of and open access to natural and recreational resources. His successful efforts to protect Jamaica Bay, which he saw as "the greatest natural resource we have," led directly to the creation of the bay's natural wildlife refuge.

In retrospect, the upheavals in Rockaway revealed, among other things, that the federal government could not legislate physical solutions to social problems. That the long-term well-being of Rockaway residents was never a public policy concern is evidenced by the complete absence of any concurrent strategy to sponsor a stable employment base in the area, not to mention proper health care, education, training and social services—the kind of integrated economic planning that characterized postwar New Town development in England. (English planners at the same time briefly considered an indirect form of land nationalization; this would have required local authorities purchasing land for development to retain ownership of that land forever, leasing but never selling it.) The federal government in the United States, with rare exceptions, chose instead not to intervene directly in the local economy, not to own, design, build, manage or maintain the projects it helped to finance, nor to insist on any safeguards to protect the housing tenures of low-income and especially, minority residents. It underwrote the transfer of power to private real estate interests and then handed on responsibilities to local and private interests, mandating no follow-up and no accountability for the massive investments it had sponsored. The photographs in this book bear witness to the physical legacy of this dereliction.

Once a peninsula with as many as a half-million daily visitors, Rockaway has now become a virtual island of neglect, a ghetto of minorities severed from mainland expectations of growth and prosperity. By 2000, more than half of its population was either African American or Puerto Rican, and 40 percent of the population earned incomes of \$25,000 or less. Rockaway now has the highest unemployment rate in Queens as well as the highest percentage of residents living below the poverty line. Meanwhile, twenty miles or so down the road in another community built by postwar federal dollars—Levittown in Nassau County—the average house price has risen thirty-fold, from \$7,500 in 1949 to \$225,000 today. Built through a program that made black applicants ineligible for FHA mortgages, the community remains, more than a half century later, 98 percent white.

Scarcity of What and for Whom?

MARK HUDSON

Michael Perelman, *The Perverse Economy: The Impact of Markets on People and the Environment* (New York: Palgrave Macmillan, 2003), 224 pages, hardcover \$55.00.

There is no shortage of opinion within the circles of policy and punditry that the free market is, or ought to become, the new Atlas. The dominant discourse holds that the weight of the world, and its scourges from poverty to pollution, can only be borne and transcended through utter reliance on the market. Michael Perelman's latest book confronts this position head on, arguing that far from providing a basis for sustainability and health, markets provide and respond to incentives which impoverish, dehumanize, mutilate, and kill workers, and which are leading us further into ecological ruin. Perelman scrutinizes a number of pillars of conventional economic theory, assessing them under the light of their implications for people and the environment, and emerges with an argument that economic theory justifies an unjustifiable system. This requires two separate points. First, the market produces disastrous results for workers and for nature. Second, economics as a profession has consistently functioned to obscure and apologize for those results.

Over the last few decades, beginning most notably with the work of Nicholas Georgescu-Roegen, critiques of the anti-ecological quality of economic theory have become numerous. In this short and highly accessible book, Perelman makes two very worthy contributions to this body of critical inquiry. The first is to approach a highly complex set of relations in a way that is straightforward and direct. The second is to examine critically the disconnection between economic theory and history. In confronting the relations between economic theory, the economy, workers, and the environment, Perelman dares to ask the most basic of questions and

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to judge both markets and economic theory on the basis of their abilities to produce sane, sensible, and sustainable outcomes and explanations. Perelman's interrogation of markets begins with what he calls the farm worker paradox.

The farm worker paradox illuminates how those who produce the things most vital to human survival and development are compensated the least. In the United States an individual farm worker earns an annual income of about \$7,500. How has economic theory attempted to explain this? Given that economics claims to address how resources are allocated in the service of meeting human needs, this would seem to be a central question. However, following a brief flirtation with the problem by Adam Smith, conventional economics from Alfred Marshall onward has dismissed the paradox as an easily explained phenomenon, whereby the market doles out to each person—capitalist or worker—exactly what they put in. That is, mainstream economics “solves” the paradox by claiming that low wages signal low productivity (and that high wages, such as those bestowed upon the CEO's of Tyco, Enron, and the rest, are indicative of tremendous productivity). This conclusion is the result of a long evolution of economic thought, summarized by Perelman, which has systematically attempted to both obscure and justify the social inequality that is inherent to capitalist organization.

In early political economy, the vast difference between workers and owners was attributed mainly to a “natural order.” In this system, it was natural that everybody but a small elite would labor long hours in exchange for their daily crust. For some prominent thinkers and moral philosophers of the eighteenth century, the resulting prod of hunger and poverty among the laboring class was a positive stimulus. Robert Townsend, for example, suggested that the wage system was, relative to slavery, a much-improved system for the appropriation of labor:

[Slavery]...is attended with too much trouble, violence, and noise, ...whereas hunger is not only a peaceable, silent, unremitted pressure, but as the most natural motive to industry, it calls forth the most powerful exertions....Hunger will tame the fiercest animals, it will teach decency and civility, obedience and subjugation to the most brutish, the most obstinate, and the most perverse. (p. 145)

The few who were spared the fate of the laboring masses were distinguished by their control over productive resources, beginning with land. The bloody and conniving histories of land “ownership” were pushed into obscurity and effaced by the laws of individual private property and what Marx called the “fetishism of commodities.”

With the development of fossil-fuelled manufacturing and industrialization, there arose a bubbling discontent concerning the persistent gap between workers and owners in the midst of skyrocketing "productivity." Social and economic trends contributed to heightened, class-based conflicts, from the Paris Commune to clashes between strikers, National Guardsmen, and Pinkerton agents. Economists addressed themselves to these social clashes by turning their efforts toward the refutation of Marx's critique of political economy and his analysis of capitalism, in order to reassert the justice of the market system. The development of marginal value theory (independently and simultaneously, as the legend in economics departments goes) by Jevons, Walras, and Menger, was motivated in all three cases by a desire to undermine socialist tendencies in Europe through the reformulation of value theory. Within the marginalist framework, capital and labor each get out of production exactly what they put in. If, for example, the addition of an hour of labor yields one more dollar in revenue for the firm, the worker gets one dollar in return. If one more machine contributes five dollars to revenue, the capitalist gets five dollars in return. What could be more just than rewards commensurate with contribution? Exploitation in this framework vanishes. In the words of then-prominent U.S. economist John Bates Clark,

the distribution of income [is] controlled by a natural law, and...this law, if it worked without friction, would give to every agent of production the amount of wealth which that agent creates....Free competition tends to give labor what labor creates, to capitalists what capital creates, and to entrepreneurs what the coordinating function creates. (p. 152)

Despite the fact that Clark's "proof" rested on what Perelman refers to as "absurdly unrealistic assumptions," (p. 152) its comforting message became a "central part of economic dogma" (p. 153).

Clark also implicitly contributed to modern economic theory the notion that the distribution of ownership is irrelevant for economic outcomes. Transactions within the labor market are seen as voluntary exchanges no different than those in any other market. The vast difference in power between capitalists and individual workers disappears, as best summed up by Nobel Prize-winning economist Paul Samuelson's urging that we "remember that in a perfectly competitive market, it doesn't matter who hires whom" (p. 153). The ridiculous degree to which neoclassical economists have taken this conceptualization of relations between workers and owners is well demonstrated by Perelman's presentation of the

theories of economists like Clark Nardinelli, who proposed, "presumably in all seriousness...that children in the factories would voluntarily choose to have their employers beat them: 'Now if a firm in a competitive industry employed corporal punishment the supply price of child labor to that firm would increase. The child would receive compensations of the disamenity of being beaten'" (pp. 153-154). In other words, agreeing to be whipped into greater effort is simply entrepreneurial initiative on the part of workers.

Perelman's second major contribution is to take a long historical perspective on the interplay between economic theory on the one hand, and the environmental and human requirements of capitalist development on the other. His juxtaposition of the rationalizing contortions carried out by mainstream economic theorists and the often-contrasting realities—political, ecological, and social—emerging around them is striking. Perelman provides a nice selection of examples pertinent to issues of the environment and natural resource scarcity. One of these draws on the history of the passenger pigeon to illustrate the disconnection between market signals and species extinction. In neoclassical theory, when a resource becomes scarce, prices are supposed to rise, thereby inducing consumers to use less of it. The market is thus seen as the best tool for conservation. Perelman, however, notes that passenger pigeons were hunted to extinction (from a population of staggering numbers) between about 1840 and 1900 without so much as a blip in the price. The reason for this "anomaly" was that passenger pigeons were (a) easy to hunt even as their numbers dwindled; and (b) seen as a substitute for chickens—or more accurately, for chicken (it is the meat that is relevant, rather than the bird)—which was still in plentiful supply. This makes perfect economic sense and is completely unproblematic from the theorist's perspective. Passenger pigeons are, to the market, indistinguishable from chickens. However, if the relevance of species goes beyond their place on the dinner plate (and, even more fundamentally, their potential as exchange value) the price mechanism must be seen as an inadequate, indeed a "perverse" instrument for mediating the relations between humans and nature.

In probing this disconnection between economic theory and the actual functioning of the economy, Perelman also looks at the reception given by mainstream economists to those among their own ranks who attempt to deal with resource scarcity. Since these instances are rare, he pays particular attention to the reaction of economic theorists to William Stanley Jevons's 1865 book, *The Coal Question*, in which Jevons lays out the inevitability of the depletion of British coal deposits. In what later became known as the "Jevons

Paradox," Jevons argued that increases in efficiency of coal use would actually result in increased total coal use, rather than conservation of it, thus raising the uncomfortable prospect that economists—self-professed scholars of the allocation of scarce resources—might actually have to consider the possibility of scarcity.

This is not to say that neoclassical economists never worry about scarcity. It is an indispensable economic concept, constructed as a relation between the (insatiable) wants and limited means of firms and individuals. Thus, every economic decision is made within a "budget constraint," meaning simply that although the world is full of possibilities, each individual actor can only afford to get their hands on so much of it at a given point in time. However, as Perelman points out, this has little or nothing to do with the kind of scarcity that Jevons was discussing. "[T]he overarching scarcity that economists study is the general scarcity of capital; that is, complex conditions artificially collapsed down to a single monetary measure....This sort of scarcity does not represent an ultimate barrier to the economy" (p. 41). Within the neoclassical framework, given the appropriate mobilization of savings and investment, more can be produced in perpetuity. Substitution of one resource for another will take care of any particular scarcity that might threaten, like Jevons's dwindling coal supplies, to limit the growth of the economy. Of course, Perelman observes, coal has not run out, and Jevons did not foresee the emergence of oil or atomic energy. However, the point about general scarcity—the economy's ultimate reliance on the productive consumption of both energy and matter for the transformation of natural resources into useful items—remains the proverbial elephant in the economist's living room. While Jevons is viewed as a giant of neoclassical economics for his pioneering of marginal value theory, his work on the scarcity of coal was, and continues to be, seen by economic theorists as an eccentric slip up. Perelman confesses that he "never took a class that mentioned Jevons without some snide remark about his 'foolish' book on scarcity" (p. 40).

A final important point that Perelman discusses (one that is of particular and increasing relevance these days) is the giant gap between the comforting conclusions of economic theory—that resource scarcity is not a problem because markets will induce substitution for scarce goods—and the monumental political and military efforts carried out by world powers to ensure this result. History is crowded with violence, coercion, and conquest designed to ensure the access of civilizations to a steady supply of vital resources. While the ideological agents of capital derive equations

demonstrating that scarcity is kept at bay by the operation of the free market, its political agents work to ensure that this is never put to the test. Local scarcities looming on the horizons of core nations are in reality ward off most often with violence. That violence might be administered by the IMF and World Bank through neoliberal economic discipline and the prying open of fresh markets, or it might be more directly delivered via the bullet and the bomb.

In all, Perelman does an excellent job of revealing the terrible consequences of the "normal" functioning of markets for people and the environment. While the book adds little that is brand new to the critique of market-dominated society, *The Perverse Economy's* historical and direct approach to examining the contradictions between economic theory and the material unfolding of capitalist production is a worthy contribution. Unlike most of this body of literature, this book is highly accessible and engaging.

So, what is to be done? Perelman suggests we rehabilitate the good name of economic planning. He argues that the spur of war once urged countries to undertake massive social and economic transformations, in which markets were subordinated to goals of improving worker morale, health, and productivity. The experience, he argues, demonstrated that efficiency and social solidarity work in unison (p. 182). The problem, as Perelman acknowledges, is the difficulty of a democratic check on the planners. In fact we already have, in a very selective way, a planned economy. It is an economy planned at both national and transnational levels to benefit a tiny minority, under the cover of market rule. The real questions then are who plans, how, and for what? It is a question of democratic or elite control, and we are currently witnessing an increasingly intense period of the latter. The emergence of the former will depend ultimately on the organized power and democratic yearnings of those on the wrong end of the farm worker's paradox.



"I'm going to come out strong after my swearing in" [for a second term], Bush said, "with...privatizing of Social Security."

—Quoted in Ron Suskind, "Without a Doubt,"
New York Times Magazine, October 17, 2004

Commentary from _____
Monthly Review
December 2004, Vol.56, No.7

Editors : HARRY MAGDOFF, JOHN BELLAMY FOSTER,
Founding Editors : LEO HUBERMAN (1903-1968) and
PAUL M. SWEEZY (1910-2004)

New Political Science, a journal associated with the Caucus for a New Political Science, has devoted its entire September 2004 number to "The Politics of Empire, Terror and Hegemony." The quality of the contributions to this special issue, some of them by MR and MR Press authors, including David Gibbs, Sheila Collins, Edward Greer, and William Robinson, is remarkable. In particular, Greer's essay on the use of torture by the United States in the "Global War on Terror" uncovers facts that no one can afford to ignore. The deep impression that this essay and the reporting on U.S. acts of torture by Mike Tanner, writing for the *New York Review of Books* (October 7, 2004), have had on our own thinking is evident in this month's Review of the Month.

It is important to add that those recently prosecuted in connection with the tortures at Abu Ghraib represent only the superficial manifestations of a much wider and more sinister policy of torture. At Fort Benning, Georgia, demonstrations organized by the School of the Americas Watch have annually gathered thousands outside the gates of a military base to protest a U.S. Army school whose graduates have been responsible for torture on a large scale in Latin America. "Counter-insurgency" military training teams have been teaching interrogation torture techniques to local armies from the Philippines to Nepal. Domestically, techniques and practices implemented in "maxi-maxi" prisons in the United States amount to torture under governing international law. Nothing is more telling about the recently completed U.S. presidential election than that, despite Abu Ghraib and revelations about Guantánamo, torture was not an issue. As we go to press the demonstrations scheduled for November 19-21, 2004, at Fort Benning have yet to take place. The thousands who risk arrest outside the gates of that military base are a bright light in the darkness.

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We would like to offer our congratulations to our friend and MR contributor Michael Lebowitz for receiving the 2004 Issac and Tamara

COMMENTARY

Deutscher Memorial Prize for his book *Beyond 'Capital': Marx's Political Economy of the Working Class* (second edition, 2003). This prize is given annually to a book that is said to exemplify "the best and most innovative new writing in or about the Marxist tradition." The first edition of *Beyond 'Capital'* (1992), argued that Marx's critique of political economy was left fundamentally unfinished. Marx's *Capital*, it was claimed, represented only one side of the economic dialectic, the political economy of capital without its opposite, the political economy of wage labor. In line with this thesis, Lebowitz proceeded to sketch out what was logically required for a political economy of the working class. The second edition of the book, which is extensively rewritten with new chapters, is a considerable advance on the first. Most important is a new chapter on "Wages" that clarifies aspects of Marx's wage theory. All of this makes *Beyond 'Capital'* a valuable and thought-provoking work, well-deserving of the Deutscher prize.

Another leading contributor to Marxist thought and close friend of MR is István Mészáros, an earlier winner of the Deutscher prize for his book *Marx's Theory of Alienation* (Merlin, 1970) and author of the magisterial critical treatise, *Beyond Capital: Towards a Theory of Transition* (Monthly Review Press, 1995). Mészáros's latest book, *Socialism or Barbarism* (Monthly Review Press, 2001), is a powerful treatment of the accelerating world crisis engendered by the U.S. attempt to utilize its massive war machine to reestablish and extend its hegemony over the world capitalist order. This work is all the more impressive since it was written well before the events of September 11, 2001. Many others in the world besides ourselves, it seems, are convinced of the intellectual brilliance and historical significance of *Socialism or Barbarism*. Only a little more than two years after its first appearance it has been published in *twelve languages*, with editions in two additional languages already on their way!

We have recently been informed of attempts in South Africa to develop a unique library and research center, the Diop/Du Bois Institute, named after two champions of African liberation, Cheikh Anton Diop and W. E. B. Du Bois. The institute's library, already seeded with a donation of 10,000 books, aims to house as complete a collection as possible of books, documents, and literature on Africa, the African Diaspora, and the global South. The goal is to make the institute a world center for research, seminars, teaching, and study—with the ultimate aim of promoting the rebirth of African culture and uniting African nations and peoples in their struggles against imperialism. For further information contact Bennie Bunsee, coordinator for the board of directors of the institute, at box 4956, Cape Town, South Africa; e-mail: be557@mail.com; telephone/fax: 27 21 685 7807.



Context: This drawing by labor cartoonist Fred Wright was a commentary on the escalating unemployment associated with the 1953–1954 recession, a sharp economic downturn resulting from the end of the economic stimulus generated by U.S. military intervention in the Korean War of 1950–1953. That recession is symbolized by the fire and smoke rising from a factory and engulfing a giant worker while then-President Dwight D. Eisenhower, seemingly unconcerned and even unaware (as, indeed, contemporary journalists pointed out) Nero-like, merrily plays the fiddle. —The Editors

Karl Marx on 'Capital Punishment' —

It is astonishing that the article in question does not even produce a single argument or pretext for indulging in the savage theory therein propounded; and it would be very difficult, if not altogether impossible to establish any principle upon which the justice or expediency of capital punishment could be founded in a society glorifying in its civilization. Punishment in general has been defended as a means either of ameliorating or intimidating. Now what right have you to punish me for the amelioration or intimidation of others? And besides, there is history—there is such a thing as statistics—which prove with the most complete evidence that since Cain the world has neither been intimidated nor ameliorated by punishment. Quite the contrary. From the point of view of abstract right, there is only one theory of punishment which recognizes human dignity in the abstract, and that is the theory of Kant, especially in the more rigid formula given to it by Hegel. Hegel says: "Punishment is the right of the criminal. It is an act of his own will. The violation of right has been proclaimed by the criminal as his own right. His crime is the negation of right. Punishment is the negation of this negation, and consequently an affirmation of right, solicited and forced upon the criminal by himself."

There is no doubt something specious in this formula, inasmuch as Hegel, instead of looking upon the criminal as the mere object, the slave of justice, elevates him to a position of a free and self-determined being. Looking, however, more closely into the matter, we discover that German idealism here, as in most other instances, has but given a transcendental sanction to the rules of existing society. Is it not a delusion to substitute for the individual with his real motives, with multifarious social circumstances pressing upon him, the abstraction of "free will"—one among the many qualities of man for man himself! This theory, considering punishment as the result of the criminal's own will, is only a metaphysical expression for the old *jus talionis*: eye against eye, tooth against tooth, blood against blood. Plainly speaking, and dispensing with all paraphrases, punishment is nothing but a means of society to defend itself against the infraction of its vital conditions, whatever may be their character. Now, what a state of society is that which knows of no better instrument for its own defense than the hangman, and which proclaims through the "leading journal of the world" its own brutality as eternal law?

— Marx, *Capital Punishment*.— Mr. Cobden's Pamphlet.— *Regulations of the Bank of England*, MECW, Vol. 11, pp. 495

(continued from inside back cover)

been routine to charge landless Dalits under these draconian laws that jettison the rights of the accused. The police and state governments are apathetic in regard to the crimes of the landlord armies and in the few rare case when persons responsible for massacring Dalit landless peasants are brought to trial they are inevitably handed light sentences. In such circumstances conditions have been created by the state itself where Dalit landless peasants understandably feel they have no option but to take matters into their own hands.

None of the killers from the private armies, run by upper caste landlords, has ever received the death penalty from any court in Bihar and Jharkhand. Several cases of massacres have never even been brought to trial. Brahmeshwer Singh, head of the notorious Ranvir Sena that is generally agreed to be responsible for as many as three dozen massacres of oppressed people, including 58 people in Lakshmanpur Bathe, was a candidate for the Ara Lok Sabha constituency. Ramadhar Singh, the head of Swarn Liberation Front, and other leaders of private armies also enjoy political patronage from different parties. Many of their henchmen when arrested have been released on bail, and again took an active part in organising massacres of dalits and poor people.

In these circumstances those who would see the world from the point of view of the poor must oppose the death penalty, no matter how horrific the facts of any individual case. The biased imposition of the death penalty displays the inequality of justice inherent in our class society. Yet even if these inequalities were to be reduced as far as possible, as Marx stated in a short article published in the New York Daily Tribune in 1853, "it would be very difficult, if not altogether impossible, to establish any principle upon which the justice or expediency of capital punishment could be found in a society glorying in its civilization," He concluded the article with the following question: "Is there not a necessity for deeply reflecting upon an alteration of the system that breeds these crimes, instead of glorifying the hangman who executes a lot of criminals to make room only for the supply of new ones?"

Amit Sen, an old friend of *Analytical Monthly Review*, died on 9th November 2004 at the age of 74. Throughout his life he had quietly helped those who are trying to change society. He played a crucial role from the initial stage in the publication of this journal.

We all will miss him.

(continued from inside front cover)

government and I are in favour of the death sentence in this particular case. The Centre has been informed of this. The message should go loud and clear to the perpetrators of such crime." Although CPI(M) State secretary Anil Biswas is personally against the death sentence, he said, "At the same time we should not lose sight of the enormity and the gravity of Dhananjoy's crime." Dhananjoy was hanged on 14th August, 2004.

But that did not end the issue. Children incited by media hype over the death sentence suddenly started to play the 'hanging game', taking the lives of at least three children and injuring several others. The saga of the convicted murderer was expected to be a top attraction for the folk theatre troops that normally performs in rural areas, but the government took the extraordinary step of banning these shows from fear of further accidental death of innocent children.

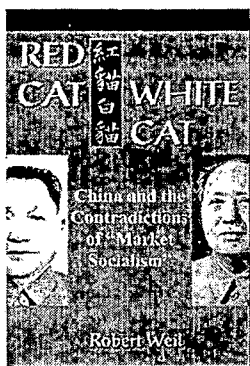
For communists, the focus on an individual criminal, an isolated crime, and a spectacular execution is insufficient, mistaken and misleading. The social, political and economic context of crime and punishment must not in this manner be made to disappear. Information on death sentences passed and executions carried out are not known, as the government does not release the relevant information, but the comment by Justice Bhagwati in Bachan Singh v. State of Punjab (1980) is on the mark:

"There can be no doubt that death penalty in its actual operation is discriminatory for it strikes mostly against the poor and deprived sections of the community [...] and the rich and the affluent usually escape from its clutches."

The recent confirmation by the Supreme Court of the death sentences of Shobhit Chamar and the four convicts of the Bara Case in Bihar is a glaring example. These peasants were given death sentences in a context of mass responses to the massacres by Swarna Liberation Front and Sunlight Sena (names under which criminal landlord armies operated and were predecessors to the Ranabir Sena) such as the multiple murders in Sawan Bigha (Jehanabad), Rampurchai (Jehanabad), Mein Barsimha (Gaya) etc. Lack of land reforms, violation of statutory minimum wages, attacks on women and children of the poor by the upper caste landlord armies, and the sheer fear psychosis created among the poor by the nexus between the rural rich and the police have resulted in the collapse of legitimate authority in large sections of Bihar and Jharkhand. It is significant that not one of the accused belonging to the landlord armies has been prosecuted under TADA (or POTA), though they carried on at least 120 attacks and killed more than 700 landless dalits and peasants in the last 20 years. On the other hand it has

(continued on page 64)

FORTHCOMING CORNERSTONE BOOKS



RED CAT WHITE CAT

China and the Contradictions of
 "Market Socialism"

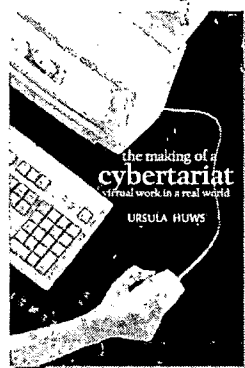
Robert Weil

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